TGS

Financial statements and Summary of Events
as of March 31th, 2002 and 2001
together with Auditor's report

TRANSPORTADORA DE GAS DEL SUR S.A. ("TGS" or "the Company")

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2002 ("MD&A") (1)

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's consolidated financial statements as of March 31, 2002 and 2001, which have been prepared in accordance with Argentine GAAP. Such consolidated financial statements include the effects of inflation up through August 31, 1995, as described in Note 3.a) to the mentioned financial statements.

In late April 2000, ENARGAS issued Resolution N° 1,660 ("the Resolution") approving a chart of accounts and an accounts manual, including certain valuation, recording and disclosure criteria applicable to gas transportation and distribution companies, effective January 1, 2001. Regarding specific criteria for valuation of property, plant and equipment, described in Note 3.i) to TGS's consolidated financial statements, the Resolution became effective January 1, 2000. Additionally, on September 18, 2000, ENARGAS issued Resolution N° 1,903 to clarify the definitions and guidelines set forth in the Resolution. Considering both resolutions, the Company has made certain reclassifications to its consolidated financial statements for the three-month periods ended March 31, 2000, 1999 and 1998 for comparative purposes with the information for the three-month period ended March 31, 2002.

Argentine economic framework

Argentina is immersed in a critical economic situation. The main features of the current economic context are a major external debt burden, high interest rates, a significant decline in deposit levels, country risk indicators far above normal average and an economic recession that has already lasted more than three years. This situation has led to a significant decrease in the demand for goods and services and a large rise in the level of unemployment. The Government's ability to comply with its commitments has been impaired, as has access to bank financing.

As from December 3, 2001 measures were issued to restrict the free availability and circulation of cash and the transfer of foreign currency abroad. Subsequently, the Government declared default on external debt servicing.

On January 6, 2002, after a political crisis that resulted in the resignation of two presidents, the Government enacted Law 25561 (Law on public emergency and exchange system reform) that involved profound changes to the prevailing economic model and the amendment of the Convertibility Law in force since March 1991. On February 2002, the Government announced new economic measures that were regulated by Decree 214 (Restructuring of the financial system) and Decree 260 (Exchange Regime), substantially modifying some of the measures implemented by the Public Emergency Law. These decrees are still being complemented by other regulations being issued by the various control agencies, some of which may have been pending at the date on which these financial statements were prepared. In addition, on April 24, 2002 the Government signed an agreement with provincial governors, which, together with other changes to the National Administration, will lay down the basis for further measures that have yet to be issued or fully implemented.

For more information about the argentino peso devaluation effects and the new economic measures, see Notes 2.

([1]) Not covered by the Limited Reviewed Report of Independent Public Accountants except for items 3, 4 and 6.

1. Results of Operations

The following table presents a summary of the results of operations for the three-month periods ended March 31, 2002 and 2001:

	2002	2001	Variation
	(In million of pesos)		
Net revenues	**141.1**	**126.8**	**14.3**
Gas transportation	100.3	101.3	(1.0)
NGL production and commercialization	32.0	22.5	9.5
Other services	8.8	3.0	5.8
Costs of sales	**(63.1)**	**(44.6)**	**(18.5)**
Labor costs	(5.5)	(5.7)	0.2
Depreciation and amortization	(34.0)	(17.9)	(16.1)
Other operating costs	(23.6)	(21.0)	(2.6)
Gross operating profit	**78.0**	**82.2**	**(4.2)**
Administrative and selling expenses	(5.2)	(7.7)	2.5
Operating income	**72.8**	**74.5**	**(1.7)**
Other income (loss), net	(0.7)	0.2	(0.9)
Equity in earnings of affiliates	(2.5)		(2.5)
Net financial expense	(585.2)	(22.6)	(562.6)
Income tax expense	-	(19.1)	19.1
Net (loss) income	**(515.6)**	**33.0**	**(548.6)**

For the three-month period ended March 31, 2002 the Company has reported a net loss of Ps. 515.6 million as compare to the net income of Ps. 33 million for the same period of last year. The negative variation of the results of the Company is due to the argentino peso devaluation effect that occurred during the first quarter of 2002, which was reflected in the account net finance expenses and in the account cost of sales for the depreciation of the foreign exchange rate capitalization. Such negative effect was partially offset by: (i) No accrued of income tax expenses during the first quarter of 2002 due to the existence of income tax loss carry-forward and (ii) higher net revenues.

Net Revenues

Regulated business

Gas transportation

Gas transportation service is the Company's primary business and accounted for approximately 71% and 80% of total net revenues earned during the three-month periods ended March 31, 2002 and 2001, respectively. Gas transportation service revenues are derived principally 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.

Net gas transportation revenues for the three-month period ended March 31, 2002 decreased by 1% primarily as a result of the registration of some consecutives increases derived from US producer price index-industrial commodities- ("PPI") during the first quarter 2001, which have not been registered during the first quarter 2002 (See "Regulatory Framework"). Such negative effect has been partially offset by higher average contracted capacity, which increased from 58.2 million cubic meters per day ("MMm^3/d") (2.055 billion cubit feet per day ("Bcf/d") to 61.6 MMm^3/d (2.175 Bcf/d) reflecting the impact of new firm transportation agreements which started operations in June 2001.

The increased firm contracted capacity derives mainly from the beginning of operations of an important expansion in the gas transportation system, which started on June 1, 2001. Such expansion, which is the most important due to the kilometers ("Km") of loops incorporated since the GdE privatization, added 3.2 MMm^3/d of firm capacity (representing an approximately 4.1% increase on its previous firm contracted transportation capacity). Part of the mentioned capacity is aimed to attend the growing domestic demand of some gas distributors, while the remaining capacity is to satisfy the industrial customer demand. Despite adverse weather conditions, this expansion has been put in service to cover the gas demand for the 2001 winter. TGS expects to generate annual additional revenues by Ps. 17 million, at current transportation rates. The expansion investments amounted to approximately US$ 125 million and consisted of the construction of 327 km of looping in San Martín, Neuba II pipelines and extensions in final tranches close to gas delivery points. In addition, as a result of this open season, TGS reduced more than the 50% of its current exposure to contracted capacity reduction risk from some of its distribution companies.

TGS, together with the consortium that won the bid to build the "Cruz del Sur" pipeline, which will link Buenos Aires to Uruguay, with a possible expansion to Brazil, have created Gas Link S.A., a company whose purpose is the construction, operation and maintenance the connection pipeline between TGS's system and the mentioned pipeline. The connection pipeline, which will have a length of approximately 40 km, will be extended from Buchanan, located in the high pressure ring (which is part of TGS's pipeline system) that surrounds Buenos Aires city, to Punta Lara and will have an initial capacity of 1 MMm^3/d (35.31 MMcf/d) with an associated investment of approximately US$ 20 million. The Cruz del Sur pipeline design projects to supply the potential growth of the Uruguayan market, with an estimated gas demand of 5.5 MMm^3/d (194.2 MMcf/d) and to furthermore meet additional opportunities on the southern of Brazil.

- *Tariff regulation*

The Company's natural gas transportation business is regulated by Law No. 24,076 ("the Natural Gas Act"), and by regulations issued by ENARGAS, who is entitled, among other things, to set the basis for the calculation of, monitor and approve tariffs. According to such regulatory framework, the transportation tariffs was required to be calculated in US dollars and converted into Argentine pesos as of the billing date. The basic gas transportation tariffs charged by TGS were established upon the privatization and adjusted, with prior authorization, in the following cases: (i) semi-annually to reflect changes in the PPI and (ii) every five years according to efficiency and investment factors determined by ENARGAS. The efficiency factor is a reduction to the base tariff resulting from future efficiency programs while the investment factor increases the tariffs to compensate for future investments. Also, subject to ENARGAS approval, tariffs must be adjusted to reflect non recurring circumstances or tax changes, other than income tax. In 1996 and 1997, ENARGAS conducted the first rate review process. In 1996, ENARGAS set the weighted average cost of capital to be used for the determination of the efficiency and investment factors at 11.3% per annum. As a result of the rate review process which ended in December 1997, the Company's gas transportation rates suffered a one-time decrease of 6.5% effective January 1, 1998, based on the application of the efficiency factor determined by ENARGAS for the second five-year period, 1998-2002. In connection with the investment factor, ENARGAS approved the application of periodic increases through January 2002 to the Company's tariffs resulting in a total weighted average of 2.6% as of that date to compensate the Company for approximately US$ 70 million in investments which principally include the modifications to the Great Buenos Aires high-pressure ring, the expansion of the Cordillerano Pipeline in Western Argentina, and enhancements to the General San Martín pipeline in preparation for future expansions.

In January 2000, ENARGAS, through its Resolution N° 1,470, and with the previous consent of the gas transportation and distribution companies, approved the postponement of the 3.78% PPI adjustment (which corresponds to the first semester of the year 2000) until July 1, 2000. In August 2000, the Executive Branch issued Decree N° 669/00, based on an agreement signed by the Federal Energy Bureau, representing the Ministry of Economy, ENARGAS and TGS, together with other gas licensee companies. This decree established that the revenues accrued during the first half of 2000 plus interest accrued for the application of the PPI adjustment mentioned above, would be billed, through a tariff increase, in a twelve-month period starting July 1, 2000. In addition, such decree provided for the deferral of any PPI adjustment from July 1, 2000, until June 30, 2002 (the PPI increases effective from July 1, 2000, January 1, 2001 and July 1, 2001 were 2.32%, 4.01% and 0.44%, respectively). Accrued revenues related to PPI adjustments, plus interest, would be included in an accrual fund, provided that such accrual fund remained within specific limits, and would be billed, through a tariff adjustment, in a twenty four-month period starting July 1, 2002. In late August 2000, Administrative Contentious Federal Trial Court N°8 granted a precautionary measure requested by the Ombudsman and ordered the suspension of the application of Decree N°669/00, since, in the opinion of the Court, the allegation that the application of the PPI adjustment contradicts Law N° 23,928 of Convertibility, constituted a reasonable ground to request the suspension of Decree N° 669/00. This measure was subsequently appealed by the Federal Executive Branch, ENARGAS and the majority of licensees companies. In October 2001, the Chamber of

Appeals reconfirmed this preventive measure, until judgment on the matter is pronounced. TGS filed an extraordinary appeal before the Supreme Court of Justice (“SCJ”) against such confirmation, tending to revoke such preventive measure. In August 2000, January 2001 and July 2001, ENARGAS notified TGS that the Company must abide by the court order, although decree N°669/00 has not been declared null. Therefore, ENARGAS requested that the effects of this decree would not be applied on the tariffs, which should keep the value in force during the first half of the year 2000 until there would be a final court decision. The Company requested ENARGAS to reconsider the decision of applying the tariff level in place prior to the issue of the Decree N°669/00 and to apply the tariffs resulting from the Resolution N° 1,470, mentioned above.

As of December 31, 2001, the Company had recorded the revenues derived from the application of the Decree 669/00, considering, among others, that i) the deferral of the mentioned tariff adjustment billing was a financing method mandated by the Argentine Government related to rendered services regardless of future services to be provided to customers and ii) in case the deferral could not be billed to customers, the Company should receive a compensation from the Argentine Government for the amounts not billed as a result of services already provided.

As a result of the default on its foreign debt payments declared by the Argentine Government in December 2001 and the approval of Law No. 25,561 (Emergency and Exchange Rate Law) in January 2002, as described in Note 2, which eliminates tariff indexing covenants based on US dollar exchange rate fluctuations, foreign price indexes or any other indexing procedure, establishing a conversion rate of one peso equal to one US dollar for tariffs, and the re-negotiation of public utility contracts with no clearly defined scope, among other provisions, the transfer of the PPI to tariffs, which the Company legitimately claimed, is improbable, as the possibility of recovering it through the Argentine Government is subject to future events, which are beyond the control of the Company. As a result of this in the financial statements as of December 31, 2001, the Company recorded a loss of Ps. 57.6 million corresponding to the effect of the net revenue accrued in 2001 and 2000, and the Company has discontinued the deferral of adjustments based on the PPI since January 1, 2001.

The mentioned before does not mean that TGS waives the rights and the actions it is entitled to according to express provisions contained in the Regulatory Framework.

Such rights and actions will be maintained and exercised in every legal and administrative instance even in the renegotiation process under the Law N° 25,561.

During 2000, the Company has begun the second five-year rate review process. On February 8, 2002, ENARGAS notified TGS about the suspension of the terms of such process until the results of the renegotiation process above mentioned is available.

The Company’s transportation operations will depend on the renegotiation results of the privatization contract mentioned above which will be driven by the National Government in the following months. There can be no assurance that the future negotiation with the National Government, or the future developments in the establishment of applicable regulations to the natural gas industry or in the interpretation of such regulations or of the License will be favorable to the Company or that there will not be decisions affecting, or changes made to the regulatory regime which will adversely affect the financial condition or results of operations of the Company.

Non-regulated business

NGL production and commercialization

As opposed to the gas transportation segment, the liquid of Natural Gas (“NGL”) production and commercialization segment is not subject to regulation by ENARGAS.

Net revenues from the NGL production and commercialization segment represented approximately 23% and 18% of the Company's total net revenues during the first quarter of 2002, and 2001, respectively. NGL production and commercialization activities are conducted at the Cerri Complex, located near Bahía Blanca and connected to each of TGS's main pipelines, where ethane, propane, butane and natural gasoline are recovered. TGS sells its production to NGL marketers and refineries, while natural gasoline is sold to other third parties, at current market prices. Ethane is sold to Polisur S.A. at agreed prices.

NGL production and commercialization revenues increased by Ps. 9.5 million during the first quarter of 2002, as compared to the same quarter of last year, mainly reflecting the positive effect of the argentine peso devaluation in the NGL exports. Such effect was partially mitigated by the decrease of the NGL international prices. It is remarkable the higher rich gas arrived at the Cerri Complex during the first quarter of 2002, as a result of the agreements signed with gas producers of the Neuquen based. The aim of these agreements signed is to mitigate the impact of lower production associated to gas with lower liquids content attributable to the start of operations of Compañía MEGA S.A. ("MEGA") at beginning of 2001. Such higher rich gas has led TGS to increase the production, despite of the lower average gas deliver, which decreased from 43.3 MMm^3/d (1.5 Bcf/d) to 41.5 MMm^3/d (1.5 Bcf/d) during the first quarter of 2001 and 2002, respectively.

NGL production and commercialization contracts for the domestic market are stated in dollars before the Public Emergency Law approval, which converted the prices of these contracts to pesos at the ratio of one peso to one dollar. The Company is to renegotiate these prices with its customers as of the date of the issuance this MD&A.

Other Services

Other services segment is not subject to regulation by ENARGAS.

The Company renders upstream activities, which basically consist of gas treatment, separation, removal of impurities from the natural gas stream and gas compression. These activities may also include gathering and gas transportation in gas fields. In addition, the Company also provides services related to pipeline construction, inspection and maintenance.

Net revenues derived from this segment increased by Ps. 5.8 million as compared to the same period of last year, basically as a consequence of the pipeline construction service rendered to LINK, above mentioned, and new telecommunications services (through TELCOSUR).

The tariffs of the main contracts associated to this business segment were originally set in dollars before the Public Emergency Law approval, which converted into pesos at the exchange rate of one peso one dollar. The Company is to renegotiate these prices with its customers as of the date of the issuance this MD&A.

Costs of Sales and Administrative and Selling Expenses

Costs of sales and administrative and selling expenses for the three-month period ended March 31, 2002 were up approximately Ps. 16 million as compared to the same period of last year, mainly as a consequence of: (i) higher depreciation and amortization by Ps. 16.1 million, due mainly to the negative foreign exchange rate capitalized, above explained, and (ii) Ps. 2.5 million resulting from higher internal inspection expenses of the pipelines during the first quarter 2002. Such increases have been partially offset by lower administrative and selling expenses for the three month period ended March 31, 2002.

Equity in earnings of affiliate

The equity in earnings of affiliate registered during the first quarter of 2002, mainly reflects the elimination of the intercompany profits generated by the construction services renders to LINK.

Net Financial Expense

Net financial expense for the three-month period ended March 31, 2002, increased Ps. 562.6 million as compared to the same period of 2001, mainly as a result of the foreign exchange rate loss that could not be capitalized as of March 31, 2002 taking into account the Note 2. Also, as a result of the argentine currency devaluation effect, the interest accrued has increased significantly during the first quarter of 2002.

Income tax expense

As of March 31, 2002, TGS did not accrued income tax due to the income tax loss carry-forward generated during this period as a result of the argentine currency devaluation.

TELCOSUR

TELCOSUR, a TGS's controlled company, which renders telecommunication services, began operations as of July 1, 2000. TELCOSUR holds a license to provide data transmission and value added telecommunication services. For the three-month period ended March 31, 2002 TELCOSUR registered a net loss of Ps. 0.1 million. During the year 2001, TGS completed a capacity expansion project of its telecommunication system, with a US$ 26 million associated investment, starting up a modern microwave's digital system with SDH technology. Also, TELCOSUR celebrated new agreements to sell telecommunication capacity with important operators and renegotiated the agreements celebrated during 2000, adapting them to the industry conditions, but keeping their economic value. Regarding the TELCOSUR project, consisted on the installation of a high capacity fiber optic system that will link Buenos Aires, Bahía Blanca and Neuquén, during 2001, TELCOSUR obtained the rights of way and developed the detail engineering of this corridors, including the Atlantic coast. Regarding the deep economic and financial crisis in Argentine, the TELCOSUR 's management is evaluating the possibility to extend the terms initialed foreseen for the termination of the construction of fiber optic net until the economic situation is steady.

2. Liquidity and Capital Resources

The TGS's primary sources and uses of cash during the three-month periods ended March 31, 2002 and 2001, are shown in the table below:

	2002	2001
	(in million of pesos)	
Cash flows from operating activities	112.0	64.2
Cash flows used in investing activities	(14.6)	(47.1)
Cash flows from financing activities before dividends paid	0.2	32.1
Dividends paid..	-	(45.7)
Cash flows from (used in) financing activities.................	0.2	(13.6)
Change in cash and cash equivalents	97.6	3.5

Cash flows from operating activities

Cash flows from operating activities during the three-month period ended March 31, 2002, increased by Ps. 47.8 million as compared to the same period in 2001, due fundamentally to the revaluation of the assets stated in dollar as of March 31, 2002.

Cash flows used in investing activities

Cash flows used in investing activities during the three-month period ended March 31, 2002, decreased by Ps. 32.3 million as compared to the same period of 2001, basically reflecting higher capital expenditures associated to the gas transportation system expansion during the first quarter of 2001.

Cash flows used in financing activities

Cash flows from financing activities before dividends paid decreased Ps. 31.9 million during the three-month period ended March 31, 2002, mainly as a result of higher indebtedness incurred to finance the capital expenditures mentioned above during the first quarter of 2001.

Regarding the dividends, as a consequence of the deeply economic crisis that our country is involved and impacting hardly in the financial situation of the Company, TGS has not paid dividends during the first quarter of 2002. During the first quarter of 2001, TGS paid dividends by Ps. 0.0575 (Ps. 0.2875 per ADS), which were based on net income for the second half of 2000.

Capital Resources

The Company relies on cash generated from internal operations as its primary source of liquidity, supplemented with uncommitted credit facilities with commercial banks and the access to capital markets through the following Global Programs: (i) Global Program for the issuance of debt securities up to US$ 500 million arranged in 1999: during the year 2000, the Company launched two issuances under this Global Program with a three-year term and in an aggregate principal amount of US$ 150 million each. These medium-term notes refinanced the issuances under the 1997 Global Program and partially refinanced the second issuance of notes under the 1996 Global Program, and (ii) Global Program for the issuance of short and medium term notes up to US$ 300 million arranged in 2000: under this program, the Company issued a five-year US$ 200 million private placed note. The note, acquired by the financial trust "Titan TGS 2001", is the underlying asset of the Class "A" and "B" notes issued by the trust. The proceeds from this transaction will be applied to finance investment plan for the period 2001-2003. Pending the application of these funds, they were partially used to repay the first issuance under the 1996 Global Program (for further information refer to Note 6 to TGS's consolidated financial statements).

In spite of the severe financial crisis that Argentina is currently experiencing, which has led banks to temporarily suspend the granting of new credit lines, and the restrictions imposed on the remittance of currency abroad, TGS has honored all its financial commitments and has been able to renew almost all the debt maturing up to the date of issue of this MD&A. The Company estimates it will be able to refinance its current short-term debt portfolio. However, if the economic and financial situation or changes in legislation and regulations were to continue to have an adverse impact on the Company's financial situation, the ability of TGS to comply with its obligations could be affected.

The Company is required to comply with certain restrictions imposed by existing loan contracts, as described in Note 6 to the consolidated financial statements of TGS. As of march 31 2002, TGS could not comply the restrictions above mentioned in the paragraph ii) and iii) of such note, due to the peso argentino devaluation effect on the financial debt stated in dollar and the devaluation effect on the accrued interest generated for this debt in the period. At the date of issuance of these Financial statements, the Company is renegotiating with its financial creditors these restrictions.

- *Derivative financial instruments*

Approximately, 55% of the total outstanding debt as of March 31, 2001, has a known cost.

In August 2000, TGS entered into interest rate cap agreements with major financial institutions for the six-month LIBOR of US$ 100 million related to the third issuance under 1993 Global Program (for further information refer to Note 6 to TGS's consolidated financial statements).

In July 2001, TGS entered into interest rate cap and cap with knock out agreements with major financial institutions for the LIBOR of US$ 150 million related to the first issuance under 1999 Global Program and for US$ 200 million related to the first issuance under 2000 Global Program (for further information refer to Note 6 to TGS's unconsolidated financial statements).

At December 31, 2001, the current debt includes borrowings, amounting to approximately 1.2 billion of yens (representing approximately US$ 10 million at the exchange rate in effect at the inception of the agreements). The Company has entered into foreign currency future agreements to provide a protection against a devaluation of the US dollar with respect to the yen, fixing the exchange rates to be in effect at the maturity date of each loan.

3. Consolidated Balance Sheet Summary

Summary consolidated balance sheet information as of March 31, 2002, 2001, 2000, 1999, and 1998

(in thousands of Argentine pesos as described in Note 3.a. to TGS's consolidated financial statements)

	2002	2001	2000	1999	1998
Current assets..................	275,409	100,552	106,253	81,236	111,933
Non-current assets	3,595,147	2,083,880	2,010,222	1,920,175	1,767,262
Total............................	**3,870,556**	**2,184,432**	**2,116,475**	**2,001,411**	**1,879,195**
Current liabilities	1,219,763	362,482	321,581	346,830	416,631
Non-current liabilities	2,063,548	746,030	758,435	628,361	429,289
Sub Total.....................	3,283,211	1,108,512	1,080,016	975,191	845,920
Shareholders' equity	587,245	1,075,920	1,036.459	1,026,220	1,033,275
Total...........................	**3,870,556**	**2,184,432**	**2,116,475**	**2,001,411**	**1,879,195**

4. Consolidated Income Statement Summary

Summary consolidated income statement information for the three-month periods ended March 31, 2002, 2001, 2000, 1999 and 1998.

(in thousands of Argentine pesos as described in Note 3.a. to TGS' consolidated financial statements)

	2002	2001	2000	1999	1998
Operating income................................	72,777	74,574	72,178	68,957	69,114
Other income, net................................	(666)	162	10	178	81
Equity in earnings	(2,519)	-	-	-	-
Net financial expense..........................	(585,159)	(22,619)	(24,246)	(18,279)	(11,264)
Net loss income before income tax......	(515,567)	52,117	47,942	50,856	57,931
Income tax expense.............................	-	(19,115)	(16,510)	(15,825)	(18,262)
Net loss income for the period............	**(515,567)**	**33,002**	**31,432**	**35,031**	**39,669**

5. Statistical Data (Physical Units)

	First quarter of				
	2002	2001	2000	1999	1998
Gas Transportation					
Average firm contracted capacity (thousands of m³/d)	61.587	58.195	57,179	55,814	54,746
Average daily deliveries (thousands of m³/d)	41.473	43.316	43,782	40,486	32,081
NGL production and commercialization					
• Production					
Ethane (metric tons "mt")	76.669	77,559	72,821	82,403	87,654
Propane (mt)	68.167	62,752	91,043	82,072	73,981
Butane (mt)	43.700	43,218	63,747	55,858	48,000
Natural Gasoline (mt)	20.175	20,207	27,985	26,804	19,761
• Local market sales (a)					
Ethane (mt)	76.669	77,559	72,821	82,403	87,654
Propane (mt)	25.688	44,681	61,113	60,505	65,732
Butane (mt)	19.055	30,898	48,244	41,378	42,790
Natural Gasoline (mt)	2.869	8,412	10,916	14,566	15,188
• Exports (a)					
Propane (mt)	38.183	12,858	32,566	16,655	4,520
Butane (mt)	21.897	9,162	16,682	15,003	3,039
Natural Gasoline (mt)	11.869	16,139	22,044	7,101	2,964

(a) Include natural gas processed on behalf of third parties.

6. Comparative Ratios

	At March 31,				
	2002	2001	2000	1999	1998
Current assets to current liabilities	0.23	0.28	0.33	0.23	0.27
Total liabilities to shareholders' equity	5.59	1.03	1.04	0.95	0.82

7. Other Information

		For the three-month periods ended March 31,				
		2002	2001	2000	1999	1998
Return on net revenues	(a)	(3.65)	0.26	0.25	0.35	0.40
Earnings per share	(b)	(0.65)	0.04	0.04	0.04	0.05

(a) Net income to net revenues for the period.
(b) Based on total outstanding shares as of March 31, 2002.

Market value of securities at closing of last business day

	Shares in Buenos Aires Stock Exchange	***Global Program 1999 (second issuance) in United States***
Offering Price....................	2.70	—
January, 1998	2.26	—
February, 1998	2.36	—
March, 1998	2.32	—
April, 1998	2.35	—
May, 1998	2.16	—
June, 1998	2.24	—
July, 1998..........................	2.38	—
August, 1998	1.89	—
September, 1998	1.98	—
October, 1998....................	2.08	—
November, 1998...............	2.02	—
December, 1998	1.98	—
January, 1999	1.93	—
February, 1999	1.99	—
March, 1999	1.90	—
April, 1999	1.91	—
May, 1999	1.80	—
June, 1999	1.88	—
July, 1999..........................	1.73	—
August, 1999	1.54	—
September, 1999	1.65	—
October, 1999....................	1.70	—
November, 1999...............	1.67	—
December, 1999	1.88	—
January, 2000	1.58	—
February, 2000	1.83	—
March, 2000	1.69	—
April, 2000	1.63	—
May, 2000	1.55	—
June, 2000	1.80	—
July, 2000..........................	1.64	—
August, 2000	1.48	101.62
September, 2000	1.50	102.62
October, 2000....................	1.75	102.62
November, 2000...............	1.45	98.52
December, 2000	1.40	99.31
January, 2001	1.57	100.66
February, 2001	1.44	101.35
March, 2001	1.52	98.44
April, 2001	1.40	93.78
May, 2001	1.41	96.45
June, 2001	1.38	99.85
July, 2001..........................	1.26	97.05
August 2001	1.32	96.60
September 2001	1.12	94.21
October 2001.....................	0.89	94.21
November 2001.................	0.98	94.21
December 2001	1.30	94.21
January 2002	1.78	55.00
February 2002	1.20	40.00
March 2002	1.05	35.00

8. Outlook

The significant changes that occurred in the first months of 2002 in the Argentine economy and the regulatory framework applicable to the natural gas industry imply a readjustment of the Company's future strategy. TGS was following a strategy oriented to growth in all its business lines, which would have required high levels of investment.

Under the current unstable environment, the Company's management deemed it prudent to review its strategic objectives. These will be oriented in the near future to safeguarding the Company's equity position through strict controls on expenses and investments so as to preserve the cash generated by operations. Lower investment will not affect the excellence of services because TGS will keep its high operating standards intact. On the financial front, TGS expects to substantially refinance its short-term maturities while it assesses developments to decide on its more long-term financial strategy.

Buenos Aires, May 30, 2002

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2002 AND 2001
(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002	2001
CURRENT ASSETS		
Cash	10,796	3,654
Investments (Exhibit D)	142,386	19,814
Trade receivables (Note 4)	109,606	63,318
Other receivables	9,381	10,952
Inventories	3,240	2,814
Total current assets	275,409	100,552
NON CURRENT ASSETS		
Trade receivables (Note 7.a)	8,418	41,647
Other receivables	12,819	12,441
Investments (Exhibit C)	29,000	6
Property, plant and equipment (Exhibit A)	3,507,305	1,987,182
Intangible assets (Exhibit B)	37,605	42,604
Total non current assets	3,595,147	2,083,880
Total assets	3,870,556	2,184,432
CURRENT LIABILITIES		
Accounts payable	58,425	74,350
Loans (Note 6)	1,139,559	260,141
Payroll and social security taxes	2,683	2,498
Taxes payable (Note 3.k)	15,113	23,363
Other liabilities	3,983	2,130
Total current liabilities	1,219,763	362,482
NON CURRENT LIABILITIES		
Loans (Note 6)	2,063,548	746,030
Total liabilities	3,283,311	1,108,512
MINORITY INTEREST	-	-
SHAREHOLDERS' EQUITY	587,245	1,075,920
Total liabilities and shareholders' equity	3,870,556	2,184,432

Notes 1 to 12 and Exhibits A to I are integral parts of these statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2001

(Stated in thousands of Argentine pesos as described in Note 3.a.,
except for per share and per ADS amounts in Argentine pesos)

	2002	2001
NET REVENUES (Note 4)	141,110	126,811
COST OF SALES (Exhibits F)	(63,141)	(44,573)
Gross operating profit	77,969	82,238
ADMINISTRATIVE EXPENSES (Exhibit H)	(4,541)	(6,486)
SELLING EXPENSES (Exhibit H)	(651)	(1,178)
Operating income	72,776	74,574
OTHER INCOME, NET	(666)	162
EQUITY IN EARNINGS OF AFFILIATE	(2,519)	
NET FINANCIAL EXPENSE (Note 3.n)	(585,159)	(22,619)
Net (loss) income before income tax and minority interest	(515,568)	52,117
INCOME TAX EXPENSE (Note 3.k)	-	(19,115)
MINORITY INTEREST	-	-
Net (loss) income	(515,568)	33,002
(Loss) earnings per share (Note 3.e)	(0.65)	0.04
(Loss) earnings per ADS (Note 3.e)	(3.24)	0.21

Notes 1 to 12 and Exhibits A to I are integral parts of these statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2001
(Stated in thousands of Argentine pesos as described in Note 3.a., except for per share and per ADS amounts in Argentine pesos)

	2002						2001
	Shareholders' Contributions			Retained Earnings			
	Capital Stock	Adjustment to Capital Stock	Subtotal	Legal Reserve	Unappropriated Retained Earnings	Total Shareholders' Equity	Total Shareholders' Equity
Balance at beginning of year	794,495	87,802	882,297	64,562	155,953	1,102,812	1,088,601
Resolutions of the Ordinary Shareholders' Meeting held on March 2, 2001 (Notes 8.c):							
Cash dividends (0.057 per share and 0.287 per ADS - Note 3.e)	-	-	-	-	-	-	(45,683)
Net (loss) income for the period	-	-	-	-	(515,568)	(515,568)	33,002
Balance at the end of period	794,495	87,802	882,297	64,562	(359,615)	587,244	1,075,920

Notes 1 to 12 and Exhibits A to I are integral parts of these statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S. A.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2001
(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	(515,567)	33,002
Reconciliation of net (loss) income to cash flows from operating activities:		
Depreciation of property, plant and equipment	33,938	18,101
Amortization of intangible assets	3,128	2,696
Consumption of materials	515	222
Increase of allowances	-	720
Equity in earnings of affiliate	2,519	-
Foreign exchange rate loss	577,477	-
Changes in assets and liabilities:		
Trade receivables	(33,691)	(10,977)
Other receivables	3,977	261
Inventories	(344)	(1,687)
Accounts payable	11,073	2,923
Payroll and social security taxes	(2,879)	(1,866)
Taxes payable	4,454	209
Other liabilities	1,022	557
Interest payable and others	26,430	19,429
Cash flows from operating activities	112,052	63,590
CASH FLOWS USED IN INVESTING ACTIVITIES		
Constitution of related company	(407)	(1)
Additions to property, plant and equipment	(14,244)	(46,415)
Cash flows used in investing activities	(14,651)	(46,416)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from loans	2,189	6,000
Payment of loans	(47,719)	(3,045)
Net increase in short term debt (1)	45,696	29,092
Dividends paid	-	(45,683)
Cash flows from (used in) financing activities	166	(13,636)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	97,567	3,538
Cash and cash equivalents at the beginning of year	55,615	19,930
Cash and cash equivalents at the end of period	153,182	23,468

(1) Less than three-month maturity.

For supplemental information on cash flows, see Note 5.

Notes 1 to 12 and Exhibits A to I are integral parts of these statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2001
(Amounts stated in thousands of Argentine pesos as described in Note 3.a., except for per share and per ADS amounts in Argentine pesos or where otherwise indicated)

1. ORGANIZATION AND START-UP OF THE COMPANY

Transportadora de Gas del Sur S.A. ("the Company" or "TGS") is one of the companies created as a result of the privatization of Gas del Estado S.E. ("GdE"). The Company commenced commercial operations on December 29, 1992 and is engaged in the transportation of natural gas and production and commercialization of natural gas liquids ("NGL") in Argentina. TGS's pipeline system connects major gas fields in southern and western Argentina with distributors of gas in those areas and in the greater Buenos Aires area. The gas transportation license to operate this system for a period of thirty-five years ("the License") was exclusively granted to the Company. TGS is entitled to a one time extension of ten years provided that it has essentially met the obligations imposed by the License and by Ente Nacional Regulador del Gas ("ENARGAS"). The General Cerri Gas Processing Complex (the "Cerri Complex"), where the Company processes natural gas by extracting NGL, was transferred along with the gas transmission assets. The Company also renders upstream services which mainly consist of gas treatment, removal of impurities from the natural gas stream, gas compression, wellhead gas gathering and transportation and pipeline construction, operation and maintenance services.

TGS's controlling shareholder is Compañía de Inversiones de Energía S.A. ("CIESA"), which together with Pecom Energía and Enron Corp. ("Enron") hold approximately 70% of the Company's common stock. CIESA is owned 50% by Pecom Energía S.A. (formerly Perez Companc S.A.) ("Pecom Energía") and a subsidiary and 50% by subsidiaries of Enron. The remaining ownership of TGS' capital stock is held by local and foreign investors.

2. ARGENTINE ECONOMIC FRAMEWORK

Argentina is immersed in a critical economic situation. The main features of the current economic context are a major external debt burden, high interest rates, a significant decline in deposit levels, country risk indicators far above normal average and an economic recession that has already lasted more than three years. This situation has led to a significant decrease in the demand for goods and services and a large rise in the level of unemployment. The Government's ability to comply with its commitments has been impaired, as has access to bank financing.

As from December 3, 2001 measures were issued to restrict the free availability and circulation of cash and the transfer of foreign currency abroad. Subsequently, the Government declared default on external debt servicing.

On January 6, 2002, after a political crisis that resulted in the resignation of two presidents, the Government enacted Law 25561 (Law on public emergency and exchange system reform) that involved profound changes to the prevailing economic model and the amendment of the Convertibility Law in force since March 1991. On February 2002, the Government announced new economic measures that were regulated by Decree 214 (Restructuring of the financial system) and Decree 260 (Exchange Regime), substantially modifying some of the measures implemented by the Public

Emergency Law. These decrees are still being complemented by other regulations being issued by the various control agencies, some of which may have been pending at the date on which these financial statements were prepared. In addition, on April 24, 2002 the Government signed an agreement with provincial governors, which, together with other changes to the National Administration, will lay down the basis for further measures that have yet to be issued or fully implemented.

Listed below are some of the measures adopted by the Government that are in force at the date of filing these financial statements and the effect they have on the Company's economic and financial situation.

Exchange system

The Government issued Decree 260 (Exchange Regime) establishing a single free exchange market system through which all transactions involving the exchange of currency are to be traded at a rate of exchange to be freely agreed, observing the requirements to be laid down by the Argentine Central Bank. At present certain transfers abroad of a financial nature require the prior approval of the Central Bank.

Deposits in financial institutions

Under the terms of Decree 214, before mentioned, deposits in U.S. dollars or other foreign currencies in financial institutions will be converted to pesos at the exchange rate of $ 1.4 per US$ 1 or its equivalent in such other currency. Furthermore, there are restrictions on the availability of certain balances in current accounts and savings accounts in dollars and fixed term deposits in pesos or dollars, which will be returned to their owners in installments and the amounts and due dates will depend on the balances recorded. As from February 3, 2002 a reference stabilization index (CER) and an interest rate will be applied to these rescheduled deposits. The CER is an index that measures the daily rate of change derived from the monthly change in the Consumer Price Index (CPI) published by the INDEC.

Financial debts in foreign currency with Argentine financial entities

Pursuant to Decree 214, debts in U.S. dollars or other foreign currencies in the financial system were converted to pesos at the rate of exchange of $ 1 per US$ 1 or its equivalent in another currency. As from February 3, 2002 the reference stabilization index (CER) and an interest rate will be applied to these debts.

Regulatory framework

The Emergency Law established the suspension of utility tariff adjustment clauses in contracts for public works and services by reference to the value of the dollar or another foreign currency or to rates based on price indices in effect in other countries, or any other adjustment mechanism. The tariffs are set in pesos at the rate of 1 Peso per 1 U.S. dollar. The abovementioned law authorizes the National Government to renegotiate the contracts for public services, taking into account the following criteria: i) the impact of tariffs on the economic competitiveness and the distribution of income, ii) the quality of the services and investment plans, if regulated by contract, iii) the users' interests and the availability of services, i) the safety of the systems and v) the profitability of utility companies.

On February 12, 2002, the National Government issued Decree No. 293 instructing the Ministry of Economy to renegotiate the contracts with utility companies and created a Commission for the Renegotiation of Contracts for Public Works and Services. By Decree No. 370 dated February 22, 2002 the members of the Commission were designated, including a representative of the consumer sector. This Commission will advise and assist the Ministry of Economy, which must present a proposal for renegotiation or recommend the Executive Branch to terminate the contracts within 120 days as from February 15, 2002 for presentation to the corresponding bicameral commissions of Congress.

The Ministry of Economy has recently contacted the companies to renegotiate the contracts and, therefore, the consequences of the renegotiation on the economic and financial position of the Company cannot currently be estimated.

Credits and debts not related to the financial system

The obligation to pay sums denominated in dollars or other foreign currency that are not related to the financial system, whatever their origin or nature, were converted to pesos at the exchange rate of $ 1 to US$ 1 or its equivalent in such other foreign currency. The reference stabilization index (CER) is to be applied to these balances as from February 3, 2002. If application of this provision were to lead to the resulting value of the item, good or service being higher or lower at the time of payment, either of the parties can request a fair readjustment of the price. If no agreement is reached, the case will be submitted to the Courts.

Deferral of the deduction of exchange differences from income tax

The net negative results caused by this devaluation will be deductible from income tax over the next five fiscal years.

Valuation of balances in foreign currency - Capitalization of exchange differences

As established by Resolution 1/02 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires (CPCECABA) and Resolution No. 392 of the National Securities Commission (CNV), the Company has given recognition to the effects of the devaluation in the quarter ended March 31, 2002 .

As established by Resolution 3/2002 issued by the CPCECABA and Resolution No. 398 of the CNV, exchange differences arising out of the devaluation of the Argentine currency as from January 6, 2002 and other effects derived from that devaluation on liabilities stated in foreign currency that existed at that date should be charged against the cost value of the assets acquired or constructed through such financing if the relationship is direct, and as an alternative criterion it will be possible to opt to give similar treatment to the exchange differences generated by indirect financing, in both situation limited by the recoverable value.

The Company has applied these rules, and has capitalized a exchange difference in property plant and equipment that amounting to 1.476.127 (alternative criterion).

Calculation of the capitalized exchange difference derived from indirect financing has been based on the exchange differences arising out of the devaluation of the Argentine currency as from January 6, 2002 and other effects derived from that devaluation on liabilities stated in foreign currency that existed at that date, excluding first the liabilities to cover working capital needs and to finance other assets not enable to capitalization, and the remaining was associated to the indirect financing of the assets that allow such imputation.

The remaining exchange differences arising during the period were charged to income and disclosed under “Net financial expense”.

Recognition of the effects of changes in the purchasing power of the currency

As established by Resolution 3/2002 of the CPCECABA as from January 1, 2002 the financial statements should consider the effects of changes in the purchasing power of the currency in accordance with the guidelines of Technical Pronouncement No.6 of the Argentine Federation of Professional Councils in Economic Sciences, as modified by Technical Pronouncement No.19. Note 3.a) on Accounting Standards provides details of this situation.

Impact on the Company’s financial situation

Changes in the country’s economic conditions and the situations that have been described impact on the future economic and financial equation of the Company, generating uncertainty regarding the future development of its business.

Company Management is currently defining and implementing an action plan to counteract the impact of this situation on the Company’s results. Although Management considers that the action plan implemented will contribute to mitigating that negative impact, no assurance can be provided that it will succeed in implementing it and if once implemented it will meet the objectives.

The changes to the basic parameters of the Company’s license as a result of the measures mentioned in the previous paragraph and especially the effect of the devaluation of the Argentine peso on the financial debt in foreign currency have resulted in non-compliance with the covenants described in paragraph ii) and iii) of Note 6 that the Company had agreed to observe in connection with certain financial liabilities. The Company is renegotiating the obtaining of a waiver in connection with these ratios., if no such waiver is obtained, certain long-term financial debts could be claimable by creditors, in which case those liabilities should be reclassified as current debt.

The impact generated by all these measures adopted to date by the Government on the financial situation of the Company at March 31, 2002 was calculated according to the evaluations and estimates made by Management at the date of preparing the financial statements. Actual results could differ from the evaluations and estimates made at the date of preparing these financial statements and these differences could be significant. Therefore, the Company’s financial statements may not report all the adjustments that could result from these adverse conditions. Furthermore, at this time it is not possible to foresee the future development of the country's economy, the result of the License and covenants renegotiation process, or the consequences on the economic and financial situation of the Company. Thus, any decision that must be made on the basis of these financial statements must take into account the effects of these measures and their future development and the Company's financial statements must be considered in the light of these uncertain circumstances.

3. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In accordance with generally accepted accounting principles in Argentina ("Argentine GAAP") and current Argentine legislation, the presentation of the TGS's individual financial statements is mandatory. Consolidated financial statements are to be included as supplementary information to the individual financial statements. For the purpose of these financial statements, individual financial statements have been omitted since they are not required for Securities and Exchange Commission ("SEC") reporting purposes. The consolidated financial statements of the Company have been prepared in accordance with Argentine GAAP applicable to consolidated financial statements taking into consideration the regulations of the Argentine Securities Commission (Comisión Nacional de Valores - "CNV"). They also include certain additional disclosures in order to conform more closely to the form and content required by the SEC.

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The consolidated financial statements for three-month periods ended March 31, 2002 and 2001 include the accounts of TGS and its subsidiary TELCOSUR S.A. ("TELCOSUR") and have been consolidated following the methodology established in Technical Resolution ("TR") N° 4 of the Argentine Federation of Professional Councils in Economic Sciences ("Argentine Federation"). The accounting policies used by TELCOSUR are consistent with those applied by TGS. All significant intercompany transactions have been eliminated in consolidation.

Detailed data reflecting subsidiary control as of March 31, 2002 and 2001 is as follows:

Company	% of Shareholding and Votes	Closing Date	Legal Address
TELCOSUR S.A.	99.98	December 31,	Don Bosco 3672, 6th Floor, Buenos Aires

In late April 2000, ENARGAS issued Resolution N° 1,660 ("the Resolution") approving a chart of accounts and an accounts manual, including certain valuation, recording and disclosure criteria applicable to gas transportation and distribution companies, effective January 1, 2001. Regarding specific criteria for valuation of property, plant and equipment (described in Note 3.i), the Resolution became effective January 1, 2000. Additionally, on September 18, 2000, ENARGAS issued Resolution N° 1,903 to clarify the definitions and guidelines set forth in the Resolution.

ENARGAS, through the above-mentioned resolutions, stipulated that, among others, organizational and pre-operating costs and re-organization costs, shall not be considered as intangible assets. Consequently, ENARGAS required that the net book value of these concepts at December 31, 2000 should be completely amortized during the 2001 fiscal year. In October 2000, the Company filed an appeal before ENARGAS against the Resolution N° 1,903, requesting the overruling of such amortization criteria. As of December 31, 2000, 24,135 for these concepts were kept in the account "Intangible assets". In December 2000, TGS requested CNV to intercede with ENARGAS in order to continue recording its intangible assets in accordance with the governing Argentine GAAP. The Company started amortizing its organizational and pre-operating costs over a five-year period effective from January 1, 2001. During May 2001, the CNV determined that the new amortization period applied by TGS is reasonable.

The accounts balances and results as of march 31, 2001, included the effect of deferral of adjustments in the tariffs based on the PPI, which finally has been recorded as loss as of December 31, 2001. (See Note 7.a).

a) Presentation of consolidated financial statements in Argentine pesos

The Company's consolidated financial statements include the effects of inflation up through August 31, 1995, utilizing the inflation restatement methodology established in TR N° 6 of the Argentine Federation. Effective September 1, 1995, the Company discontinued the restatement methodology, maintaining the effects of inflation accounted for in prior periods up to December 31, 2001, as provided by the CNV rules.

As established by Resolution 3/2002 of the CPCECABA as from January 1, 2002 the financial statements should consider the effects of changes in the purchasing power of the currency in accordance with the guidelines of Technical Pronouncement No.6 of the Argentine Federation of Professional Councils in Economic Sciences, as modified by Technical Pronouncement No.19.

The Company has prepared the financial statements applying valuation criteria established by the National Securities Commission which differ in certain respects from applicable accounting standards, especially as regards recognition of the effects of inflation on the financial statements. The effect on the financial statements derived from the different valuation criteria should produce an increase of 34.000 on the Shareholder's equity, including an increase of 319.000 on the net loss for the three month period ended March 31, 2002.

b) Derivative financial instruments

The Company utilizes derivative financial instruments to manage market risks reducing its exposure resulting from fluctuations in the interest rate and in the yen exchange rate. Such instruments are disclosed in Note 6 and include: interest rate swap and cap, foreign currency futures and interest rate swap for anticipated transactions. The Company does not use derivative financial instruments for trading of speculative purposes.

Gains and losses related to hedge instruments are deferred and included in the measurement of the gains and losses of the hedged position, which are included in the consolidated income statement under "Net financial expense". Gains and losses from hedging anticipated transactions are deferred until the gains and losses of the hedged position occur.

Accrued and realized gains and losses derived from such financial instruments, which at March 31, 2002 were not material, are included in the consolidated balance sheet as "Loans".

c) Argentine legal requirements

Certain disclosures related to formal legal requirements for reporting in Argentina have been omitted for purposes of these consolidated financial statements, since they are not required for SEC reporting purposes.

d) Amounts in foreign currencies

Such amounts have been valued at the relevant exchange rates in effect as of the end of each period, including accrued interest, if applicable. The respective detail is disclosed in Exhibit G.

e) Earnings and dividends per share and per ADS

Earnings and dividends per share and per American Depositary Shares ("ADS") have been calculated based on 794,495,283 outstanding shares during each year. One ADS represents five Class "B" shares.

f) Revenue recognition

Firm transportation revenues are recognized based on the accrued contracted capacity reserved regardless of actual usage. For interruptible transportation services and certain NGL production and commercialization contracts, revenues are recognized upon the delivery of natural gas or gas liquids to customers, respectively. For other NGL production and other services contracts, revenues are recognized when services are rendered.

g) Inventories

Consist of natural gas in the pipeline system owned by TGS in excess of line pack, which is classified as property, plant and equipment, and NGL obtained from natural gas processing at the Cerri Complex. The Company values these inventories at replacement or reproduction cost, as applicable, at the end of each period. The carrying value of inventories does not exceed its recoverable value.

h) Non current investments:

Corresponds to the Government bonds to be held to maturity, which are disclosed in Exhibit C. Such bonds have been valued at its nominal value including accrued interests at march 31, 2002.

The investment in Gas Link S.A. ("LINK") at march 31, 2002, has been valued by the equity method, following the provisions established by TR N° 5 of the Argentine Federation. This investment has been calculated based on their respective financial statements as of such date, which were prepared applying criteria similar to those used by the company to prepare its financial statements. The investment in LINK has been adjusted by 2.518 due to the elimination of intercompany profits, following the provisions established by TR N° 5 of the Argentine Federation. Due to this adjustment, LINK's equity method value is negative and is registered in the account "Other liabilities" as of March 31, 2002.

i) Property, plant and equipment

- Assets transferred from the privatization of GdE: its value was determined based on the price paid for the 70% of the Company's capital stock which amounted to US$ 561.2 million. This price was the basis to determine a total capital stock of US$ 801.7 million, which when added to the Initial Debt assumed under the Transfer Contract of US$ 395 million resulted in a total value for property, plant and equipment of US$ 1,196.7 million. Such value, converted at the exchange rate in effect as of the date of the Transfer Contract, has been restated for the effects of inflation as described in Note 3.a).

- Line pack: represents the natural gas in the transportation system estimated necessary to keep the system at operating capacity, valued at acquisition cost and restated for the effects of inflation as described in Note 3.a).

- Foreign exchange rate: according with the established by the Resolution N° 3/2002 of the Professional Councils in Economic Sciences ("CPCECABA").and the Resolution N° 398 of the CNV, the Company has capitalized a foreign exchange rate that, amounting to 1.476.127 due to the argentine currency devaluation occurred since January 6, 2002, corresponds to liabilities in foreign currencies at such date, associated with the indirect financing of the assets that can be registered in such account (described in Note 2.).

- Additions: valued at acquisition cost restated for the effects of inflation as described in Note 3.a). The Company capitalizes the net cost of debt used to finance works in progress until such assets are ready to be placed in service. The Company has capitalized all the investments stipulated as mandatory in the License during the first five-year period, in order to achieve system integrity and public safety equal to those required by international standards. Such investments included, among others, the costs of survey programs related to internal and external pipeline inspection, cathodic protection and pipeline replacement and recoating. Additionally, the Resolutions N° 1,660 and N° 1,903 include definitions about which costs should be considered as improvements or maintenance expenses. Repairs and maintenance costs are expensed in the year in which they are incurred.

- Depreciation: the Company applied the straight-line method with a composite depreciation rate for all assets allocated to transportation service and to the NGL production and commercialization until December 31, 1999.

  Regarding the assets allocated to transportation service, the Resolutions N° 1,660 and N° 1,903 issued by ENARGAS established maximum useful lives applicable to each component of such assets to be applied effective January 1, 2000, which are lower than the useful lives applied by the Company through December, 31, 1999. The new useful lives applied by the Company, disclosed in Exhibit A, do not exceed the maximum useful lives, determined in such resolutions. The resolutions also outlines specific criteria for assets retirements. During the fiscal year 2000, in compliance with the provisions stated by ENARGAS in the mentioned resolutions and maintaining the straight line method, the Company changed the above mentioned composite depreciation rate, for individual depreciation rates for each component of the assets allocated to the gas transportation service.

  Regarding the assets allocated to NGL production and commercialization, during the fiscal year 2000, maintaining the straight line method, the Company also changed the composite depreciation rate, for individual depreciation rates for each component of the assets allocated to the NGL production and commercialization.

  For depreciation of all other property, plant and equipment, the Company uses the straight-line method at the rates disclosed in Exhibit A, recording the loss or gain on retirement of the assets in income of the year when incurred.

  Regarding the foreign exchange rate capitalization, it is depreciated according to the remaining useful lives of the property, plant and equipment that led to such capitalization.

Based on result projections, the Company's management believes that the recorded value of property, plant and equipment, taken as a whole, does not exceed its recoverable value.

j) Intangible assets

Intangible assets are valued at historical cost, restated for the effects of inflation as described in Note 3.a), less related accumulated amortization. The amortization of the organization costs, pre-operating costs, cancellation costs of commitments assumed under the Transfer Contract and other costs was calculated over a deferral period of primarily thirty-five years through December 31, 2000, as described at the beginning of this Note. Starting January 1, 2001, the net book value of these concepts as of December 31, 2000 is amortized over a five-year period. The costs of hedging interest rates are deferred over the related loans term. Arrangement costs for the issuance of debt associated to Global Programs, as well as, the issuance debt costs are deferred over the related programs and loan terms, respectively.

k) TGS and TELCOSUR income tax and tax on minimum notional income

TGS and TELCOSUR accrued their respective income taxes using the 35% rate on their estimated taxable income for the fiscal year, without considering the effect of temporary differences between the accounting income and the taxable income. Additionally, TGS and TELCOSUR accrues their tax on minimum notional income using the 1% rate on the computable assets as of the end of each year. This tax is complementary to income tax. TGS and TELCOSUR's final tax liability will be equal to the higher of both taxes. However, should the tax on minimum notional income exceed the income tax, in any given year, such excess may be applied to reduce any excess of income tax over the tax on minimum notional income in any of the ten succeeding years.

As of March 31, 2002, the Company did not accrue income tax due to the estimation of a income tax loss carryforward due to the foreign exchange rate loss originated by the argentine currency devaluation. This net loss may only be deducted from income tax by up to 20% per annum in each of the first five fiscal years ended after the effective date of the Emergency Law. TGS has accrued 5,055 as tax on minimum notional income as of march 31, 2002, which was recorded in the account "Other non current receivables". Based on the paragraph above, TGS's management estimates that such tax receivable is fully recoverable.

Income tax accrual included in "Taxes payable" net of advanced payments amounting to 19,115 as of March 31, 2001.

As of March 31, 2002, TELCOSUR did not accrue income tax due to the existence of accumulated income tax loss carryforward and TELCOSUR accrued 25 and 10 as tax on minimum notional income as of March 31, 2002 and 2001, respectively, which were recorded in the account "Other non current receivables". Based on the paragraph above, TELCOSUR's management estimates that such taxes receivables are fully recoverable. As of December 31, 2001, TELCOSUR income tax loss carryforward amounted to approximately Ps. 1.1 million, which may be applied to compensate future income tax through 2005. In each fiscal year in which a tax loss carry-forward is applied, the tax benefit (effect of the tax rate on the used tax loss carry-forward) will be materialized as long as actual income tax (net of compensation) is equal to or higher than the minimum notional income tax but will be reduced by any excess of the minimum notional income taxes over the actual income tax.

l) Allowances and provision for contingencies

- Deducted from assets: accrued to decrease trade receivables valuation. Such allowance covers some receivables unlikely to be recovered as a result of the analysis of such made by Company´s management.

- Included in liabilities: accrued to cover contingent situations that may originate liabilities for the Company. Such contingent liabilities are assessed by the Company´s management based on occurrence likelihood and based on the opinion of the Company´s legal counsel.

The detail of allowances is disclosed in Exhibit E.

m) Shareholders' equity accounts

These accounts have been restated for the effects of inflation as described in Note 3.a), except for "Capital Stock" which is valued at original cost. The effect of the adjustment to restate this account as described in Note 3.a) has been disclosed in the account "Adjustment to Capital Stock".

n) Income statement accounts

Expenses related to depreciation and amortization of non-monetary assets have been restated for the effects of inflation as described in Note 3.a).

The breakdown of "Net financial expense", which consists mostly of interest, separated between those generated on assets and on liabilities for the years ended March 31, 2002 and 2001 is as follows:

	Gain (Loss)	
	2002	2001
Generated on assets	100,092	997
Generated on liabilities (1)	(685,251)	(23,616)
	(585,159)	(22,619)

(1) Net of 1,357 capitalized interest on "Property, plant and equipment" for the three-month periods ended March 31, 2001. Additionally as of March 31, 2002, net financial expenses generated on liabilities includes the foreign exchange rate loss that could not be capitalized (See Exhibit H).

4. CONSOLIDATED BUSINESS SEGMENT INFORMATION

The Company's principal business is to provide natural gas transportation service through its pipeline system. Also, the Company produces and commercializes NGL at the Cerri Complex and renders other non-regulated services.

Operating income consists of net revenues less operating expenses. In the calculation of operating income, the following items have not been included: other income, net, equity in earnings of affiliate, net financial expense and income tax expense.

Assets identifiable with each segment are those used by the Company to develop each business. Assets that cannot be identified with a specific segment have been grouped under "Corporate" and include investments, among others.

Regarding transactions held between the business segments, TGS billed TELCOSUR 544 and 500 for the provision of telecommunication facilities and 79 and 79 for administrative services, respectively, for the three-month periods ended March 31, 2002 and 2001. On the other hand, TELCOSUR billed TGS 1.000 and 467 for telecommunication services rendered in the three-month periods ended March 31, 2002 and 2001. Such transactions were eliminated for financial statement consolidation purposes, following the methodology established in TR No. 4 of the Argentine Federation.

There is not any revenue between the business segments.

At March 31, 2002	**Gas transportation**	**NGL production and commercialization**	**Other services**	**Corporate**	**Total**
Net revenues	100,281	31,966	8,863	-	141,110
Operating income (loss)	58,687	16,487	2,795	(5,192)	72,777
Depreciation of property, plant and equipment..	25,536	4,736	2,457	1,209	33,938
Additions to property, plant and equipment (includes work in progress)	13,175	41	507	60	13,783
Identifiable assets	3,199,020	329,154	144,473	197,909	3,870,556

At March 31, 2001	**Gas transportation**	**NGL production and commercialization**	**Other services**	**Corporate**	**Total**
Net revenues	101,338	22,495	2,978	-	126,811
Operating income (loss)	72,859	8,648	326	(7,259)	74,574
Depreciation of property, plant and equipment..	13,243	2,662	790	1,406	18,101
Additions to property, plant and equipment (includes work in progress)	57,018	524	10,667	227	68,436
Identifiable assets	1,863,927	195,078	68,845	56,582	2,184,432

The Company provides credit in the normal course of its gas transportation business principally to gas distribution companies, Pecom Energía, Profertil S.A. (“Profertil”) and YPF S.A. (“YPF”). Concentration of credit and principal customers gross revenues from gas transportation for the three-month periods ended March 31, 2002 and 2001 ended March 31, 2002 and 2001 are as follows:

Gas transportation:	2002 Gross revenues	2002 Trade receivables	2001 (1) Gross revenues	2001 (1) Trade receivables
MetroGas S.A.	43,433	26,958	42,290	17,847
Camuzzi Gas Pampeana S.A.	19,086	7,639	19,006	7,685
Gas Natural BAN S.A.	15,146	6,233	12,233	5,726
Pecom Energía..................................	5,072	6,180	4,716	2,050
Camuzzi Gas del Sur S.A.	4,001	4,462	3,719	1,443
Profertil..	3,168	1,263	3,290	1,360
YPF..	3,613	2,686	2,162	836

The principal customers in the NGL production and commercialization segment are Polisur S.A., Petrobras International Finance Company ("Petrobras") and YPF. The amounts of trade receivables and gross revenues for these customers for the three-month periods ended March 31, 2002 and 2001 are as follows:

LPG Production and Commercialization	2002 Gross revenues	2002 Trade receivables	2001 Gross revenues	2001 Trade receivables
Polisur S.A.	11,047	8,980	6,780	7,831
Petrobras	7,720	5,601	3,476	1,570
YPF	1,096	1,041	2,966	3,975
RYTTSA	-	-	2,580	2,580

5. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS

In the preparation of the consolidated statements of cash flows, cash and cash equivalents include investments with original maturities of three months or less. The Company uses the indirect method, which requires a series of adjustments to the period's net income to obtain the cash flows from operating activities.

Cash paid for income tax and interest during the three-month periods ended March 31, 2002 and 2001 is as follows:

	2002	2001
Income tax	11,779	17,095
Interest (net of capitalized amounts)	16,381	3,741

Non-cash investing activities for the three-month periods ended March 31, 2002 and 2001 include fixed assets acquisitions amounting to 6,101 and 38,736 unpaid at such dates, respectively, as well as the financed acquisition of fixed assets, which amounted to 252 at March 31, 2002.

6. LOANS

At March 31, 2002, TGS is a party to various short-term credit agreements with a total outstanding amount of 1,139,559. These loans mainly include US$ 100,000 from the third issuance of notes under the 1993 Global Program which bears interest at 2.81%, US$ 150,000 from the first issuance of notes under the 1999 Global Program which bears interest at 5.04% and approximately US$ 10.000 from loans in yen currency, as described below. The weighted average interest rate as of March 31, 2002 for such agreements without the issuances under Global Program above described, is approximately 6.60%.

Long-term debt outstanding at March 31, 2002 and 2001 consisted of the following:

	2002	2001
-1993 Global Program: third issuance due 2002	-	100,000
-Inter-American Development Bank ("IDB") Loans due through 2011 (interest rates between 5.72% and 10.19%)	978,000	326,000
-1999 Global Program: first issuance due 2003	-	150,000
-1999 Global Program: second issuance due 2003, interest rate of 10.38% (1)	449,541	149,541
-2000 Global Program: first issuance due 2006, interest rate of 3.77%	600,000	-
-Other bank borrowings due through 2006 (interest rates ranging between 2.49% and 4.37% in 2002)	36,007	20,489
	2,063,548	746,030

(1) Net of issuance discounts.

Detailed information on significant debt as of March 31, 2002, is as follows:

- Debt issuances under Global Programs:

  1993 Global Program

  At the Shareholders' Meeting held on August 27, 1993, the establishment of a Global Program for the issuance of short and medium Term Notes (Eurocommercial Papers ("ECP") and Euro Medium Term Notes ("EMTN"), respectively) was approved. The Program allowed an aggregate notional outstanding amount at any given time of US$ 350 million. At the Shareholders´ Meeting held on March 6, 1996, the maximum amount of this Program was increased to US$ 500 million. The Global Program had been registered with the Bolsa de Comercio de Buenos Aires ("BCBA") and the CNV.

  The description of the outstanding issuance under this Global Program as of March 31, 2002, is as follows:

  - *Third issuance*: Five-year registered notes due December 18, 2002, in one payment for an aggregate amount of US$ 100 million bearing interest at six-month LIBOR plus 0.65% through the first year, stepping up to 0.85% in the fifth year. The notes were approved for trading in the Luxembourg Stock Exchange and in the BCBA. Net proceeds from the placement were used to debt refinancing, to finance capital expenditures and working capital needs.

  1999 Global Program

  The Shareholders' Meeting held on February 17, 1999, ratified the authorization given by the Shareholders' Meeting held on February 17, 1998, for the creation of a new US$ 500 million Global Program, to replace the 1993 Global Program which expired at the end of 1998. This program has been authorized by the CNV, the BCBA and the Luxembourg Stock Exchange. The description of the outstanding issuances under this Global Program as of March 31, 2002, is as follows:

  - *First issuance*: Medium-term (3 years) registered notes in an aggregate principal amount of US$ 150 million, maturing in a single payment on March 27, 2003. The notes bear interest at 30, 60, 90 or 180 days LIBOR, as the Company may choose, plus 2.25% through the first year, stepping up to 3% in the third year. The next interest payment due on June 27, 2002. The BCBA authorized the public trading of this issuance. Net proceeds from this transaction were applied to refinance the issuances under the 1997 Global Program, created in February 1997 for a term of 36 months and whose last issuances were cancelled on March 27, 2000.

  - *Second issuance:* Medium-term (3 years) registered notes in an aggregate principal amount of US$ 150 million, issued at a price of 99.694%, maturing in a single payment on April 15, 2003. The notes bear interest at an annual fixed rate of 10.38%, payable semi-annually. The Luxembourg Stock Exchange, BCBA and Mercado Abierto Electrónico have authorized the public trading of this issuance. Net proceeds from this transaction were exclusively used to prepay and partially refinance the second issuance under the 1996 Global Program, which matured in June 2000.

2000 Global Program:

The Shareholders' Meeting held on February 22, 2000, approved the creation of a new Global Program for the issuance of short and medium-term notes for a maximum outstanding amount of US$ 300 million, in order to replace the 1997 Global Program. This program has been authorized by the CNV, the BCBA and the Luxembourg Stock Exchange. The description of the outstanding issuance under this Global Program as of March 31, 2002, is as follows:

- *First issuance:* Medium-term (5 years) registered note in an aggregate principal amount of US$ 200 million with final maturity on April 24, 2006, which was privately placed. Debt will be paid in five equal semiannual installments with a 36-month grace period. The note bears interest at LIBOR, plus 1.955% annual, payable quarterly. The note was acquired by the financial trust "Titan TGS 2001" and is the underlying assets of the Class "A" and "B" notes issued by such trust. Class "A" notes are covered through an insurance provided by "Overseas Private Investment Corporation" ("OPIC"), that covers risk of funds remittance covering no convertibility of local currency, no transfer and expropriation. Proceeds from this transaction will be applied to finance investment plan for the period 2001-2003. Pending the application of these funds to such purpose they were partially used to repay the first issuance under the 1996 Global Program that amounted to US$ 150 million and matured on April 25, 2001.

- <u>IDB loans</u>

In the first half of 1999, TGS collected funds from the IDB loan agreement which total US$ 226 million. The transaction has a final maturity of 12 years, with a five-year grace period which results in an eight and a half-year average life. The IDB loan agreement is structured through an A loan disbursement of US$ 50 million which is funded by the IDB and a B loan disbursement of US$ 176 million which was raised through a private placement to foreign investors. IDB is the lender of record and administrator for both the A and B loans disbursements. The transaction was priced at 450 basis points over an average US Treasury bond interest rate settled at 5.15% (for US$ 200 million) and at 375 basis points over LIBOR (for the remaining US$ 26 million). The proceeds of the transaction were received with the purpose of financing part of the capital expenditures over the period 1998-2002 associated with expansions and enhancements of the gas transportation, NGL production and commercialization and other services activities.

Additionally, in November 1999, TGS received another loan which totals US$ 100 million from the IDB loan agreement mentioned above. The transaction has a final maturity of eleven and a half years, with a four and a half-year grace period and an eight-year average life. The IDB loan agreement is structured through an A loan disbursement of US$ 25 million which is funded directly by the IDB and a B loan disbursement of US$ 75 million which was raised through a private placement to foreign investors. The transaction was priced at 420 basis points over an average US Treasury bond interest rate settled at 5.99%. The proceeds of the transaction were received with the purpose of financing part of the capital expenditures over the period 1999-2002 associated with expansions and enhancements of the gas transportation, NGL production and commercialization and other services activities.

- <u>Other bank borrowings</u>:

Include credit lines granted by the Export Import Bank of USA ("Eximbank") payable over five years in semi-annual installments accruing interest at 180-day LIBOR plus 0.20% or 0.40% per annum depending on the credit line. As of March 31, 2002 and 2001, the current outstanding principal of such debt amounted to 19,151 and 7,052, respectively, and the non-current portion amounted to 17,350 and 12,167, respectively.

At March 31, 2002, the current portion includes borrowings amounting to approximately 1.2 billion of yens (representing approximately US$ 10 million at the exchange rate in effect at the inception of the agreements). The Company has entered into foreign currency future agreements to provide a protection against a devaluation of the US dollar with respect to the yen, fixing the exchange rates to be in effect at the maturity date of each loan.

- Covenants:

  The Company must comply with the restrictive covenants contained in its debt agreements which include, among others, the following:

  i) restrictions to create liens: as long as any note issued remains outstanding, the Company may not encumber its assets or its present or future revenues with debt incurred which in the aggregate exceeds US$ 10 million or US$ 20 million depending of each global program, unless the Company finances, in full or in part, the purchase or construction of the assets so encumbered.

  ii) restrictions on the level of indebtedness: as of the closing date of annual and/or interim financial statements, debt assumed by the Company may not exceed 60% or 65% (as applicable, according to the respective TGS's Global Programs) of the sum of total debt plus shareholders' equity. Additionally, under the IDB loan agreement, debt assumed by the Company may not exceed 65% of the sum of total debt plus shareholders' equity, minus intangible assets, deferred issuance discounts and other similar to them.

  iii) restrictions on the EBITDA (defined as earnings before net financial expense, income tax, depreciation and amortization) to "Net financial expense" ratio: this ratio must not be less than 2.5 in any moment.

As of march 31, 2002, TGS could not comply the restrictions above mentioned in the paragraph ii) and iii) due to the peso argentino devaluation effect on the financial debt stated in dollar as of march 31, 2002 and the devaluation effect on the accrued interest generated for this debt in the period. As of the date of issuance of these financial statements, TGS is renegotiated with the creditors these restrictions. If we failed to obtain a waiver regarding such covenants certain long term financial liabilities could became demandable at the request of the creditors.

- Derivative financial instruments:

  In July 2001, TGS entered into LIBO interest rate cap transactions with mayor financial institutions for a total notional amount of US$ 150 million, associated to the first issuance under the 1999 Global Program. As a result of such transactions, TGS has set a cap on LIBOR at an annual cost of 4.75%. The agreements are effective starting July 27, 2001 and terminate on March 27, 2003. Premium paid by TGS amounted to approximately US$ 0.7 million, which was registered in the account "Intangible assets" and is amortized over the remaining term of this issuance under the 1999 Global Program.

  Also, in July 2001, TGS entered into three-month LIBO interest rate cap with knock-out transactions with mayor financial institutions for a total notional amount of US$ 200 million, associated to the first issuance under the 2000 Global Program. As a result of such transactions, TGS set a cap on three-month LIBOR at an annual cost of 5.25%. However, in the event that LIBOR at the beginning of any interest period is equal or greater than 8%, TGS will pay LIBOR for such interest period. The agreements are effective starting July 24, 2001 and terminate on April 24, 2006. Amortization of the above mentioned issuance is in five semi annual installments starting April 24, 2004 and matches the amortization schedules of the interest rate cap with knock-out transactions. Premium paid by TGS amounted to approximately US$ 2.9 million, which was registered in the account "Intangible assets" and is amortized over the remaining term of this first issuance under the 2000 Global Program.

  In August 2000, TGS entered into interest rate cap agreements with major financial institutions for the six-month LIBOR of US$ 100 million related to the third issuance under 1993 Global Program. Through these agreements, the Company set the six-month LIBOR at an annual cost of 7% if in any semi-annual period the level of this rate fluctuates between 7% and 8%. Therefore, if during any semi-annual period the level of the mentioned rate is lower or higher than this range, TGS will pay the effective six-month LIBOR of the period. These agreements are effective from December 18, 2000, to December 18, 2002. Premium paid by TGS amounted to approximately US$ 0,3 million, which was registered in the account "Intangible assets", and is amortized over the remaining term of the third issuance under the 1993 Global Program. Moreover, until mid June 2000, the Company had interest rate swap agreements for US$ 100 million mentioned above.

  In 1998, the Company entered into two agreements which locked in the rate on the US Treasury Bond at a cost between 5.66% and 5.89%, with a notional amount of US$ 200 million to hedge the interest rate associated with the IDB loan mentioned above. In February 1999, the Company settled one of such agreements with a notional amount of US$ 100 million. The other agreement with a notional amount of US$ 100 million was partially settled in March 1999 while the remainder was settled in April 1999. The settlement cost of these agreements amounted to approximately Ps. 11 million, which was recorded in the account "Intangible assets" and amortized over the term of the IDB loan agreement.

In addition, the Company entered into a hedge transaction which locked in the rate on the 5-year US Treasury Bond at 5.62%. The hedge transaction was entered in contemplation of a US$ 200 million debt issuance based on the 5-year US Treasury rate to refinance the first issuance under the 1993 Global Program. Given the instability in the capital markets, the Company made the second issuance under the 1996 Global Program amounting to US$ 200 million and with an 18-month maturity. Consequently, the approximate Ps. 8 million cost of such hedge agreement settled in January 1999 (allocated as a financing cost of the transaction in the account "Intangible assets") is amortized over the refinancing periods.

7. REGULATORY FRAMEWORK

a) <u>General:</u>

The Company's natural gas transportation business is regulated by Law No. 24,076 ("the Natural Gas Act"), and by regulations issued by ENARGAS, who is entitled, among other things, to set the basis for the calculation of, monitor and approve tariffs. According to such regulatory framework, the transportation tariffs must be calculated in US dollars and converted into Argentine pesos as of the billing date. The basic gas transportation tariffs charged by TGS were established upon the privatization and may be adjusted, prior authorization, in the following cases: (i) semi-annually to reflect changes in the PPI and (ii) every five years according to efficiency and investment factors determined by ENARGAS. The efficiency factor is a reduction to the base tariff resulting from future efficiency programs while the investment factor increases the tariffs to compensate for future investments. Also, subject to ENARGAS approval, tariffs must be adjusted to reflect non recurring circumstances or tax changes, other than income tax.

In January 2000, ENARGAS, through its Resolution N° 1,470, and with the previous consent of the gas transportation and distribution companies, approved the postponement of the 3.78% PPI adjustment (which corresponds to the first semester of the year 2000) until July 1, 2000. Such extraordinary and one-time postponement implies a financing and subsequent recovery of the adjustment. In August 2000, the Executive Branch issued Decree N° 669/00, based on an agreement signed by the Federal Energy Bureau, representing the Ministry of Economy, ENARGAS and TGS, together with other gas licensee companies. This decree establishes that the revenues accrued during the first half of 2000 plus interest accrued for the application of the PPI adjustment mentioned above, will be billed, through a tariff increase, in a twelve-month period starting July 1, 2000. In addition, such decree provides for the deferral of any PPI adjustment from July 1, 2000, until June 30, 2002 (the PPI increases effective from July 1, 2000, January 1, 2001 and July 1, 2001 were 2.32%, 4.01% and 0.44%, respectively). Accrued revenues related to PPI adjustments, plus interest, would be included in an accrual fund, provided that such accrual fund remains within specific limits, and would be billed, through a tariff adjustment, in a twenty four-month period starting July 1, 2002. In late August 2000, Administrative Contentious Federal Trial Court N°8 granted a precautionary measure requested by the Ombudsman and ordered the suspension of the application of Decree N°669/00, since, in the opinion of the Court, the allegation that the application of the PPI adjustment contradicts Law N° 23,928 of Convertibility, constitutes a reasonable ground to request the suspension of Decree N° 669/00. This measure was subsequently appealed by the Federal Executive Branch, ENARGAS and the majority of licensees companies. In October 2001, the Chamber of Appeals reconfirmed this preventive measure, until judgment on the matter is pronounced. TGS filed an extraordinary appeal before the Supreme Court of Justice ("SCJ") against such confirmation, tending to revoke such preventive measure.

In August 2000, January 2001 and July 2001, ENARGAS notified TGS that the Company must abide by the court order, although decree N°669/00 has not been declared null. Therefore, ENARGAS requested that the effects of this decree would not be applied on the tariffs, which shall keep the value in force during the first half of the year 2000 until there would be a final court decision. The Company requested ENARGAS to reconsider the decision of applying the tariff level in place prior to the issue of the Decree N°669/00 and to apply the tariffs resulting from the Resolution N° 1,470, mentioned above.

As of December 31, 2001, the Company had recorded the higher revenues derived from the application of the Decree 669/00, considering, among others, that i) the deferral of the mentioned tariff adjustment billing is a financing method mandated by the Argentine Government related to rendered services regardless of future services to be provided to customers and ii) in case the deferral could not be billed to customers, the Company should receive a compensation from the Argentine Government for the amounts not billed as a result of services already provided.

As a result of the default on its foreign debt payments declared by the Argentine Government in December 2001 and the approval of Law No. 25,561 (Emergency and Exchange Rate Law) in January 2002, as described in Note 2, which eliminates tariff indexing covenants based on US dollar exchange rate fluctuations, foreign price indices or any other indexing procedure, establishing a conversion rate of one peso equal to one US dollar for tariffs, and the re-negotiation of public utility contracts with no clearly defined scope, among other provisions, the transfer of the PPI to tariffs which the Company legitimately claimed is improbable, as the possibility of recovering it through the Argentine Government is subject to future events, which are beyond the control of the Company. Given the current scenario, in these financial statements the Company has recorded a loss of 57,639 corresponding to the effect of the net revenue accrued in 2001 and 2000, and the Company has discontinued the deferral of adjustments based on the PPI since January 1, 2001.

The mentioned before does not mean that TGS waives the rights and the actions it is entitled to according to express provisions contained in the Regulatory Framework.

Such rights and actions will be maintained and exercised in every legal and administrative instance even in the renegotiation process under the Law N° 25,561.

During 2000, the Company has begun the second five-year rate review process. On February 8, 2002, ENARGAS notified TGS about the suspension of the terms of such process until the results of the renegotiation process above mentioned is available.

TGS’s management believes that as a result of such License renegotiation process, no material adverse effect will be recorded on the assets and results of operations.

The NGL production and commercialization and other services segment is not regulated by ENARGAS, and as provided in the Transfer Contract, is organized as a division within the Company and maintains separate accounting information.

The License stipulates, among other restrictions, that the Company may not assume debts of CIESA, or grant credit, encumber its assets or grant any other benefit to CIESA's creditors.

b) Essential assets:

A substantial portion of the assets transferred by GdE has been defined as essential for the performance of the gas transportation service. Therefore, the Company is required to segregate and maintain these assets, together with any future improvements, in accordance with certain standards defined in the License.

The Company may not, for any reason, dispose of, encumber, lease, sublease or loan essential assets nor use such assets for purposes other than providing the licensed service without ENARGAS prior authorization. Any expansion and improvement that the Company may make to the gas pipeline system after the takeover may only be encumbered to secure loans that have a term of more than one year to finance new expansions and improvements to the licensed service.

Upon expiration of the License, the Company will be required to transfer to the Argentine Federal Government or its designee, the essential assets listed in the updated inventory as of the expiration date, free of any debt, encumbrance or attachment, receiving compensation equal to the lower of the following two amounts:

i) The net book value of the essential assets determined on the basis of the price paid by the acquiring joint venture, and the original cost of subsequent investments carried in US dollars and adjusted by the PPI, net of accumulated depreciation according to the calculation rules to be determined by ENARGAS.

ii) The net proceeds of a new competitive bidding.

8. CAPITAL STOCK AND DIVIDENDS

a) General:

The Company was incorporated on November 24, 1992 with a capital of 12. The first General Ordinary and Extraordinary Shareholders' Meeting held on December 28, 1992, approved an irrevocable contribution against future share subscriptions which, in Argentine pesos as of that date, amounted to 794,483. The shareholders also decided to increase capital stock through the partial capitalization of this contribution which, in Argentine pesos of that date, amounted to 557,297 since an inventory of the assets transferred had not yet been completed. Once the inventory of the assets transferred was completed, the General Ordinary Shareholders' Meeting held on March 24, 1994, approved the capitalization of the balance of the irrevocable contribution against future share subscriptions. Thus, the capital stock was increased by 237,186 to a total of 794,495 in Argentine pesos of that date.

As of March 31, 2002 the Company's common stock subscribed, paid in and issued is composed of:

Classes of stock

Common stock, nominal value 1, one vote per share:

Class "A" shares	405,192,594
Class "B" shares.....................	389,302,689
	794,495,283

The Argentine Government initially held a 27% shareholding in the Company represented solely by Class "B" shares. Such Class "B" shares were sold in two parts: (i) a substantial part in 1994 through a local and international public offering (outside Argentina, the shares were offered under the form of ADSs representing five shares each; the ADSs issued in the United States of America are SEC registered and traded on the New York Stock Exchange) and (ii) the remainder, representing approximately a 2% shareholding in the Company, to local and foreign investors during 1996.

The Company is obligated to maintain the authorization to offer the Company's capital stock to the public and the corresponding authorization for the shares to be listed on the Argentine Republic's authorized securities markets for a minimum period of 15 years from the respective dates on which such authorizations were granted.

b) Limitation of the transfer of the Company's shares:

The Company's by-laws provide that prior approval of ENARGAS and the unanimous approval of CIESA's shareholders, under agreements among them, must be obtained in order to transfer Class "A" shares (representing 51% of capital stock). The Bid Package states that approval of ENARGAS will be granted, provided that:

- The sale covers 51% of capital stock or, if the proposed transaction is not a sale, the act of reducing the shareholding will result in the acquisition of a shareholding of not less than 51% by another investment company;

- The applicant provides evidence to the effect that the transaction will not impair the operating quality of the licensed service.

In the case of shareholders of CIESA who have qualified due to the equity, guarantee and/or technical background of their respective parent companies, the sale of shares representing the capital of such subsidiaries by the respective ultimate, direct or indirect parent companies, and/or the cessation of the management running the Company, requires the prior authorization of ENARGAS.

In case the Company wishes to reduce its capital, redeem its shares or distribute any part of its equity, except for the dividends payment, in accordance with the provisions of the Argentine Business Associations Law, it should require prior authorization from ENARGAS.

c) Dividend distribution:

The shareholders meeting hold on May 14, 2002, approved a distribution of cash dividend amounting to 48,544 or 0.0611 per share (0.3055 per ADS) which were paid anticipated in August 2000 based on first half of 2001 earnings.

According to Law N° 25,063, cash or other type of dividend distribution, exceeding net income determined as stipulated by tax regulations, will be subject to a 35% withholding tax as a sole and definite payment. TGS' management considers that this withholding tax has no effect on the dividend distribution above mentioned.

See Note 2 with respects to financial restriction on dividend transfer abroad.

d) Restrictions on retained earnings:

Under current Argentine legal requirements, 5% of net income per year must be appropriated into a legal reserve until such reserve equals 20% of total capital stock adjusted for inflation.

In addition, the by-laws provide for the issuance of Profit Sharing Vouchers, as defined in Article 230 of the Argentine Business Associations Law, payable to all regular employees so as to distribute 0.25% of the net income of each year among them. An accrual for this expense has been recorded in the account "Payroll and social security taxes".

9. LEGAL AND REGULATORY MATTERS

a) In April 1996, GdE filed a legal action against TGS for Ps. 23 million, which is the amount GdE claims is due to it as reimbursement of its cost to construct two compressor plants currently in operation on the TGS pipeline. TGS has denied such claim on the grounds that it owes no monies to GdE as it acquired rights to these compressor plants as part of its overall purchase of the pipeline assets in the 1992 privatization. At the end of February 2000, a first judgment was pronounced upholding GdE's claim for Ps. 23 million plus interest (calculated at the "passive rate" set by the Argentine Central Bank Circular 14,290 from the date GdE paid the above-mentioned purchase orders) and litigation expenses. In August 2001, the Chamber of Appeals partially confirmed the first judgment and ordered TGS to pay the fair value of such plants based on an expert assessment to be performed. The Company has recorded such plants as "Property Plant and Equipment", valued at Ps. 4.8 million based on the replacement cost of similar compressor equipment. The Chamber of Appeals has decided to defer the payment of the litigation expenses until the compressor plants' fair value resulting from the expert assessment is determined. In October 2001, TGS filed an ordinary and extraordinary appeals before SCJ against such judgment. In December 2001, the SCJ granted the ordinary appeals above mentioned. TGS's management considers that these judgments are based on a partial understanding of the facts and findings proven by TGS, and that the serious inaccuracies and omissions included therein render them arbitraries. The Company believes that the most likely outcome is that the mentioned appeals will overturn the initial and the second judgment against TGS based on the facts and findings mentioned above.

b) As of the date of issuance of these consolidated financial statements, GdE directly or through ENARGAS, has not fulfilled the obligations set forth in the Transfer Agreement and in the License in connection with its responsibility for the five-year period ending on December 31, 1997, for the registering of easements relating to the transferred pipeline system which have not been properly registered and for related payments to property owners of any required easements. In order to fulfill its capital expenditures program related to the system integrity and public safety required by the License, the Company has entered into easement agreements with certain land owners and paid related amounts. Consequently, the Company filed a claim against GdE to recover such amounts paid.

On October 7, 1996, the Executive Branch, through Decree N° 1,136/96, created a contribution fund, as provided for in the License, to assume GdE's obligations for paying easements and any other compensation to land owners for an initial five-year period, beginning with the privatization and ending on December 28, 1997. ENARGAS manages the above mentioned fund, which is financed by a special charge included in the transportation rates and reimbursed to ENARGAS. TGS has filed against GdE-ENARGAS an administrative claim asking for the amounts paid in connection with easements related to facilities existing prior to December 28, 1992. In December 1997, ENARGAS declared that it will allow the reimbursement of the useful expenses, as determined by the Government, derived from easements. The amounts for such concept as of December 31, 2001, recording in the account “Other no current receivables” amounting to approximately 4,200. The Company expects to fully recover the amounts paid, based on its rights derived from the License.

In connection with the easements payable starting January 1, 1998, TGS is negotiating with ENARGAS the recovery of amounts paid through increases in the transportation rates. The Company expects, based on its rights, to fully recover the amounts recorded.

c) The Company received claims from the Tax Bureau of the Neuquén, Río Negro and Santa Cruz Provinces, aimed to collect stamp tax, according to their interpretation, on gas transportation contracts and services offer letters between TGS and its shippers and other contracts subscribed during the privatization of GdE.

Regarding the claim received from the Río Negro Province, in September 1999, the Tax Bureau of such province formalized the claim through a liability assessment. The Company has notified the Argentine Government of its position and has filed an appeal before such Tax Bureau, which was overruled in January 2001. Against such action, on February 1, 2001, TGS filed an appeal before the Minister of Economy of the Río Negro Province, which was rejected in early April 2001. Such Province urged the Company to pay the assessment, which amounted to approximately Ps. 438 million (including interests and penalties as of April 30, 2001). On March 21, 2001, the Company filed a declaratory action of certainty before the SCJ, so that such court issues a judgement on the legitimacy of the Tax Bureau claim. The Company also asked the SCJ to avoid any Río Negro Province’s action tending to collect the mentioned tax, until the SCJ pronounces judgment on the matter. In April 2001, SCJ granted the requested preventive measure.

Regarding the claim received from the Santa Cruz Province, the Tax Bureau of such Province notified TGS about a preliminary assessment, amounting to approximately Ps. 41 million (with its related interests as of December 31, 2000). In respect to this assessment, TGS presented a discharge and filed its appeal before such Tax Bureau, whose resolution is pending as of the date of issuance of these consolidated financial statements. In addition, TGS filed a declaratory action of certainty before the SCJ with the same purposes and effects of that presented for the Río Negro Province’s claim. In March 2001, the SCJ granted the preventive measure requested and ordered the Santa Cruz Province to avoid any action tending to collect the mentioned tax, until that court arrives to a final decision on the matter.

Regarding the claim received from the Neuquén Province in December 1999, the Tax Bureau of such Province formalized the claim through a liability assessment for approximately Ps. 97 million (with its related interests as of December 31, 1999). Such assessment was appealed before such Tax Bureau. In April 2001, the Company received a re-assessment, which amounted to approximately Ps. 210 million including interests and penalties. On April 17, 2001, TGS filed an administrative motion before such Tax Bureau, on the grounds of the inadmissibility of such re-assessment while the resolution of the appeal previously filed against the assessment received in December 1999, was still pending. Also, the Company appealed against the application of penalties, which were determined disregarding the right of due process. In addition, in September 2001, the Tax Bureau of the Neuquén Province notified TGS about liability assessments related to the stamp tax arising from the Transfer Agreement subscribed by TGS in the privatization of GdE and from the Technical Assistance Agreement for amounts of Ps. 44 million and Ps. 6 million, respectively (include interest as of August 31, 2001). Against such resolutions, the Company has filed appeals before such Tax Bureau, who rejected the appealed for the Transfer Agreement. Consequently, the Company has filed an appeal to higher instance for this judgment before the Minister of Economy of the province. At the end of December 2001, the Company filed a declaratory action of certainty before the SCJ for all Neuquen Province’s claims, with the same purposes and effects of that presented for the Rio Negro Province’s claim. In April 2002, the SCJ granted the preventive measure requested and ordered the Neuquen Province to avoid any action tending to collect the mentioned tax, until that court arrives to a final decision on the matter.

TGS’s management believes that contracts entered into before the Company’s take-over, were not subject to provincial stamp taxes because the parties to the contracts at the time they were signed, were governmental entities that were exempt from the tax. Moreover, even if the contracts were subject to provincial stamp taxes, management believes that GdE would bear responsibility for this tax under the Transfer Agreement. However, if the Company were forced to pay any amount, it would have the right to be reimbursed from GdE or the Argentine Government. In the case of the Technical Assistance Agreement, the company has alleged the irrelevance of the tax mainly due to the fact that this agreement was entered in Capital Federal to take effects there instead of the Neuquén Province or any other province.

In respect to the other assessments, TGS’s management believes that gas transportation service offer letters are not subject to the tax mentioned above. Should they be taxable, TGS believes that such event must be considered a change in the interpretation of the tax law, and its impact should be reflected in the tariff according to regulations on the subject. ENARGAS believes that the claims for stamp tax lack merit because it considers the tax unlawful.

d) In addition to the matters discussed above, the Company is a party to certain lawsuits and administrative proceedings arising in the ordinary course of business.

Although no assurances can be given, the Company believes there are meritorious defenses, which will be asserted vigorously, to substantially all such claims and that any liability which may finally be determined will not have a material adverse effect on the Company's consolidated financial position or results of operations.

Additionally, TGS is carrying out the judicial procedures to recover the burden of the new tax on interest payments and financial costs established by Law N° 25,063, through an adjustment to the gas transportation tariffs, as provided in the License. For three-month periods ended March 31, 2002 and 2001, 169 and 1,063, respectively, were accrued for such concept in the account "Net financial expense".

10. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

The principal recurrent transactions with related parties are payments under the Technical Assistance Agreement entered into with the technical operator, Enron Pipeline Company Argentina S.A. ("EPCA"), in compliance with the provisions of the Bid Package and the Transfer Contract, whereby EPCA is to provide technical advisory services which include services related to, among others, the operation and maintenance of the gas transportation system and related facilities and equipment, to ensure that the performance of the system is in conformity with international standards and compliance with the environmental standards. For these services the Company pays a monthly fee based on the higher of: a percentage of certain defined income of the Company or a specified fixed annual amount. The term of the current contract with EPCA, is for eight years from December 28, 1992, renewable automatically upon expiration for additional eight year periods.

The detail of significant outstanding balances for transactions with related companies as of march 31, 2002 and 2001 is as follows:

	2002		2001	
Company	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
EPCA	21	1,782	-	2,089
Pecom Energía	9,061	4,474	5,616	3,838
LINK	7,483	-	-	-
Enron América del Sur S.A.	1,123	129	474	-
Santa Cruz II Area (Joint Venture) (1)	174	1,223	277	-
Santa Cruz I Area (Joint Venture) (2)	895	-	313	510
Total	18,757	7,608	6,680	6,437

(1) As of March 31, 2002, Pecom Energía has 100% of this joint venture.
(2) As of March 31, 2002, Pecom Energía has 71% of this joint venture.

The detail of significant transactions with related companies for the three-month periods ended March 31, 2002 and 2001 is as follows:

Company	Revenues: Gas Transportation	Revenues: NGL production and commercialization and other services	Salaries and wages	Compensation for technical assistance	Revenues from administrative services
EPCA	-	-	263	5.478	23
Pecom Energía	5.072	4.517	-	-	-
LINK	-	6.700	-	-	-
Enron América del Sur S.A.	915	73	-	-	-
Santa Cruz II Area (Joint Venture) (1)	-	216	-	-	-
Santa Cruz I Area (Joint Venture) (2)	1,361	-	-	-	
Total 2002	7,348	11,506	263	5,478	23
Total 2001	6,308	4,707	206	5,489	-

(1) As of March 31, 2002, Pecom Energía has 100% of this joint venture.
(2) As of March 31, 2002, Pecom Energía has 71% of this joint venture.

11. SUBSIDIARIES

TELCOSUR:

In September 1998, TGS's Board of Directors approved the creation of TELCOSUR, whose special purpose is the rendering of telecommunication services, assuring the optimal utilization of TGS's telecommunication system. TGS's ownership interest in such company is 99.98% and the remainder 0.02% is held by EPCA. On October 22, 1998, the Governmental Regulatory Agency of Corporations approved the constitution of the company.

On February 16, 1999, the regulatory agency (The Federal Communication Bureau), through Resolution N° 3,468, granted the license to TELCOSUR to provide data transmission and value added telecommunication services in Argentina. By the end of 1999, TELCOSUR obtained from the National Communication Commission the reserve for most of the frequencies necessary for the operation. As of July 1, 2000, TELCOSUR began operations.

LINK:

LINK was created in February 2001, with the purpose of the ownership, construction, and operation of a natural gas transportation system, which will link TGS's gas transportation system with Gasoducto Cruz del Sur S.A.'s pipeline.

The connection pipeline will be extended from Buchanan, located in the high pressure ring that surrounds Buenos Aires city, which is part of TGS's pipeline system, to Punta Lara.

TGS's ownership interest in such company is 49% and the remainder 51% is held by Dinarel S.A. The capital stock amounts to Ps. 12.

12. NEW PROFESSIONAL ACCOUNTING STANDARDS:

On December 21, 2001, the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA") approved new professional accounting standards (RT N° 16 to 19 issued by the Argentine Federation, with certain changes) making changes to criteria for the valuation of assets and liabilities, treatment of special aspects not previously contemplated and new disclosure requirements for financial statements preparation. These standards will be mandatory for fiscal years beginning on July 1, 2002.

Among other matters, the new accounting standards establish: i) express prohibition on the capitalization of certain deferred charges and standards for transition for the treatment of intangible assets recorded as at the date of enforcement that do not qualify as such under the new rules; ii) mandatory application of the deferred tax method as well as the measurement of the balances of deferred assets and liabilities on a discounted basis; iii) changes in the frequency and methodology for the comparison of assets against recoverable values; iv) changes in the capitalization of financial costs of third party capital in cases of extended production or construction terms, and v) use of discounted values for the measurement of certain credits and liabilities. The impact of these new accounting standards could affect the results of previous years.

The effect of the application of the new rules on the financial statements of the Company have not been evaluated as at the date of issue of these financial statements.

TRANSPORTADORA DE GAS DEL SUR S.A.

Exhibit A

BALANCE SHEETS AS OF MARCH 31, 2002 AND 2001

PROPERTY, PLANT AND EQUIPMENT

(Stated in thousand of Argentine pesos as described in Note 3.a)

	2002												2001
	Original Cost					Depreciation							
									Expenses for the period				
Main Account	Beginning of year	Additions	Retirements	Transfers	End of period	Accumulated at beginning of year	Retirements	Transfers	Amount	Rate %	Accumulated at the end of period	Net book value	Net book value
Pipelines	1,423,062	-	-	442	1,423,504	154,252	-	-	8,407	(1) 2,2	162,659	1,260,845	1,149,770
Compresors plants	450,174	-	-	736	450,910	94,140	-	-	4,017	(1) 3,3 a 25	98,157	352,753	351,947
Other industrial plants	35	-	-	-	35	3	-	-	-	(1) 3,3	3	32	25
Stations of regulation and/or measusrement of pressure	44,852	-	-	1	44,853	9,524	-	-	431	(1) 4	9,955	34,898	36,333
Other technical installations	8,111	-	-	1	8,112	1,983	-	-	149	(1) 6,7	2,132	5,980	5,171
Subtotal assets related to the gas transportation service	1,926,234	-	-	1,180	1,927,414	259,902	-	-	13,004		272,906	1,654,508	1,543,246
Assets related to the gas upstream service	58,079	-	-	393	58,472	11,560	-	-	962	2,2 a 25	12,522	45,950	38,242
Assets related to the NGL production and commercialization service	211,919	-	-	130	212,049	63,887	-	-	2,610	(1) 5,9	66,497	145,552	152,032
Lands	2,873	-	-	-	2,873	-	-	-	-	-	-	2,873	2,828
Buildings and civil contructions	54,617	-	-	1	54,618	11,580	-	-	261	2	11,841	42,777	43,699
Installations in buildings	2,050	-	-	-	2,050	361	-	-	23	4	384	1,666	1,760
Machinery, equipment and tools	14,682	6	-	4	14,692	8,946	-	-	248	6,7 a 20	9,194	5,498	6,904
Computers and telecommunications systems	103,032	-	-	454	103,486	40,142	-	-	2,184	6,7 y 20	42,326	61,160	40,880
Vehicles	7,347	-	-	-	7,347	5,637	-	-	167	10 y 20	5,804	1,543	1,906
Furniture	5,002	-	-	-	5,002	4,691	-	-	14	10	4,705	297	354
Foreign exchange rate loss capitalized (2)	-	1,476,127	-	-	1,476,127	-	-	-	14,465	(2) 3,9	14,465	1,461,662	-
Materials	30,450	1,410	515	(852)	30,493	118	-	-	-	-	118	30,375	29,754
Line pack	6,223	-	-	-	6,223	734	-	-	-	-	734	5,489	4,949
Work in progress	29,378	9,213	-	(1,310)	37,281	-	-	-	-	-	-	37,281	113,153
Advances to suppliers of property, plant and equipment	7,520	3,154	-	-	10,674	-	-	-	-	-	-	10,674	7,475
Total 2002	2,459,406	1,489,910	515	-	3,948,801	407,558	-	-	33,938		441,496	3,507,305	
Total 2001	2,271,297	68,436	1,498	-	2,338,235	333,758	806	-	18,101		351,053		1,987,182

(1) See Note 3.i).
(2) See Note 2.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

EXHIBIT B

CONSOLIDATED BALANCE SHEETS AS OF
MARCH 31, 2002 AND 2001

INTANGIBLE ASSETS (Note 3.j)
(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002									2001
	Original Cost			Amortization						
				Accumulated	Expenses for the period			Accumulated		
DEFERRED CHARGES	Beginning of year	Additions	End of period	at beginning of year	Amount		Rate %	at the end of period	Net book value	Net book value
Organization, pre-operating costs, cancellation costs of commitments assumed under the Transfer Contract and other costs (1)	32,089	-	32,089	12,976	1,255	(3)	(4)	14,231	17,858	22,880
Settlement costs of hedges of anticipated transactions (2)	22,791	-	22,791	10,998	867	(5)	(4)	11,865	10,926	10,287
Global Programs and notes issuances costs (6)	23,515	-	23,515	13,688	1,006	(5)	(4)	14,694	8,821	9,437
Total 2002	78,395	-	78,395	37,662	3,128			40,790	37,605	
Total 2001	71,353	19	71,372	26,072	2,696			28,768		42,604

(1) Includes the cost of the Voluntary Retirement Program of 1993, accepted by 463 employees, for approximately 12,122
(2) See Note 6.
(3) Included in "Operating costs" see exhibit H.
(4) See Note 3.j).
(5) Included in "Net financial expenses".

Rafael Fernández Morandé
President

Exhibit C

TRANSPORTADORA DE GAS DEL SUR S.A.

BALANCE SHEETS AS OF MARCH 31, 2002 AND 2001

NON CURRENT INVESTMENTS

(Stated in thousand of Argentine pesos as described in Note 3.a)

	2002										2001
	Description of securities				Issuer information						
					Last Financial Statemets issued						
Name and Issuer	Face value	Amount	Cost	Book value	Main Business	Date	Capital stock	Net income for the period	Shareholders' equity	% of capital stock	Book value
Government Bonds (1)	US$1	10,000,000	10,000	29,000	-	-	-	-	-	-	-
Gas Link S.A.	$1	5,880	1,036	(2,341) (2) (4)	Pipeline construction and operating services	31/03/02	2.215 (3)	(28)	2.098 (4)	49.00	6

(1) Corresponds to Letras Externas de la República Argentina Tasa Encuesta Serie 74.
(2) TGS has recorded this credit amount in the account "Other liabilities".
(3) This company was incorporated with a capital stock of Ps. 12. Such amount includes irrevocables contributions of Ps. 2.203 against future shares issuances. (See Note 11)
(4) See Note 3.h).

Rafael Fernández Morandé
President

EXHIBIT D

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF
MARCH 31, 2002 AND 2001

INVESTMENTS
(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002		2001
	Cost Adjusted for inflation	Book Value	Book Value
CURRENT INVESTMENTS			
Bank deposits in local currency	-	-	7,333
Bank deposits in foreign currency	-	-	8,061
Government bonds	134	134	-
Bank account paid	71,736	71,736	-
Bank account paid in foreign currency	6,440	6,440	-
Mutual funds in foreign currency	64,076	64,076	4,420
Total current investments	142,386	142,386	19,814

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2002 AND 2001

ALLOWANCES
(Stated in thousands of Argentine pesos as described in Note 3.a)

Main Account		Beginning of year	Additions	Decreases	End of period
Deducted from assets:					
Allowance for doubtful account	2002	1,437	-	-	1,437
	2001	320	480	-	800
Included in liabilities:					
For third parties claims (1)	2002	339	-	7	332
	2001	-	240	-	240

(1) Such allowance is included in the account "Other liabilities".

Rafael Fernández Morandé
President

EXHIBIT F

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

COST OF SALES FOR THE THREE-MONTH PERIOD
ENDED MARCH 31, 2002 AND 2001

(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002	2001
Inventories at the begining of year	2,896	1,127
Natural gas purchases (1)	7,867	8,852
Operating Costs (Exhibit H)	55,618	37,408
Inventories at the end of period (1)	3,240	2,814
Cost of sales	63,141	44,573

(1) Includes natural gas used in the NGL production in connection with new commercial agreements effective from this period.

Rafael Fernández Morandé
President

EXHIBIT G

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF
MARCH 31, 2002 AND 2001

FOREIGN CURRENCY ASSETS AND LIABILITIES
(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002					2001		
	Foreign currency and amount (in thousands)		Exchange rate		Amount in local currency	Foreign currency and amount (in thousands)		Amount in local currency
CURRENT ASSETS								
Cash	US$	2,578	2.90	(1)	7,476	US$	77	77
Investments	US$	24,316	2.90	(1)	70,516	US$	12,481	12,481
Trade receivables	US$	8,125	2.90	(1)	23,563	US$	15,883	15,883
Other receivables	US$	-	-	(1)	-	US$	223	223
					101,555			28,664
NON CURRENT ASSETS								
Trade receivables	US$	-	-		-	US$	8,769	8,769
Investments	US$	10,000	2.90	(1)	29,000	-	-	-
Property, plant and equipment - work in progress								
Advances to suppliers	US$	-	-		-	US$	859	859
					29,000			9,628
					130,555			38,292
CURRENT LIABILITIES								
Accounts payable	US$	186	3.00	(2)	558	US$	28,614	28,614
	XEU	77	2.62	(2)	202	-	-	-
	CAD	28	1.88	(2) (3)	53	-	-	-
						ITL	45,787	24
Loans	US$	363,645	3.00	(2) (3)	1,090,934	US$	260,141	260,141
					1,091,747			288,779
NON CURRENT LIABILITIES								
Loans	US$	686,816	3.00	(2)	2,060,449	US$	746,030	746,030
					3,152,196			1,034,809

(1) Buying exchange rate as of march 31, 2002.
(2) Selling exchange rate as of march 31, 2002.
(3) See Note 6 "Other bank borrowings".

Rafael Fernández Morandé
President

Exhibit H

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

INFORMATION REQUIRED UNDER ART. 64, PARAGRAPH I, CLAUSE b), BUSINESS ASSOCIATIONS LAW,
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2001

(Stated in thousands of Argentine pesos as described in Note 3.a)

	2002					2001
Account	Total	Operating costs	Administrative expenses	Selling expenses	Financial expenses	Total
Salaries, wages and other contributions	6,581	4,526	1,626	429	-	7,508
Social security taxes	1,444	977	361	106	-	1,282
Compensation to Directors and Statutory Audit Committee	48	-	48	-	-	47
Professional services fees	451	37	348	66	-	1,292
Technical operator assistance fees	5,478	5,478	-	-	-	5,489
Materials	416	416	-	-	-	402
Third parties services	662	472	190	-	-	527
Telecommunications and post expenses	373	150	207	16	-	297
Rents	179	21	156	2	-	276
Transports and Freight	186	185	1	-	-	174
Easements	1,006	1,006	-	-	-	1,441
Offices supplies	109	23	83	3	-	159
Travels	123	46	73	4	-	146
Insurance	537	498	39	-	-	331
Property, plant and equipment maintenance	5,432	5,371	60	1	-	3,023
Depreciation of property, plant and equipment	33,938	32,729	1,209	-	-	18,101
Amortization of intangible assets	3,128	1,255	-	-	1,873	2,696
Taxes and contributions	1,196	1,187	9	-	-	1,253
Advertising	5	-	-	5	-	16
Allowance for doubtful account	0	-	-	-	-	480
Banks expenses	36	-	34	2	-	42
Intereses expenses	55,216	-	-	-	55,216	21,237
Exchange rate variation	623,390	-	-	-	623,390	662
Other financial expenses	4,772	-	-	-	4,772	274
Other expenses	1,355	1,241	97	17	-	1,533
Total 2002	746,061	55,618	4,541	651	685,251	
Total 2001		37,408	6,486	1,178	23,616	68,688

Rafael Fernández Morandé
President

Exhibit I

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2002

DETAIL OF MATURITIES OF CASH INVESTMENTS, RECEIVABLES AND LIABILITIES

(Stated in thousands of Argentine pesos as described in Note 3.a)

	Cash investments (1)	Receivables (2)	Debt (3)	Other liabilities (4)
Without specified maturity	-	13,418	-	4,910
With specified maturity				
* Past due				
From 01-01-02 to 03-31-02	-	24,452	-	-
From 10-01-01 to 12-31-01	-	1,562	-	-
From 07-01-01 to 09-30-01	-	62	-	-
From 04-01-01 to 06-30-01	-	2	-	-
Until 03-31-01	-	1,927	-	-
Total past due	-	28,005	-	-
* Non-due				
From 04-01-02 to 06-30-02	142,386	91,292	343,371	66,750
From 07-01-02 to 09-30-02	-	-	36,107	-
From 10-01-02 to 12-31-02	-	180	302,284	-
From 01-01-03 to 03-31-03	-	-	457,797	5,871
During 2003 (rest of the year)	17,400	739	474,722	-
During 2004	11,600	436	380,389	-
During 2005	-	485	371,696	-
During 2006	-	540	250,400	-
During 2007	-	602	130,400	-
During 2008	-	670	130,400	-
From 2009 onwards	-	5,294	326,000	-
Total non-due	171,386	100,238	3,203,566	72,621
Total with specified maturity	171,386	128,243	3,203,566	72,621
Total	171,386	141,661	3,203,566	77,531

(1) Includes bank account paid and mutual funds. Such investments bear floating rate interest.
(2) Includes trade and other receivables, except allowances. Such receivables bear no interest, except for 8.769 which bears interest at 5.52%.
The receivables without specified maturity include 947 registered in current assets and 12,471 registered in non current assets.
(3) Includes loans excluding debt issuance discount of the second issuance under 1999 Global Program.
Taking into account the interest rate swap agreements (see Note 6 "Derivative financial instruments"), approximately 55% of the outstanding principal debt bears fixed rate interest .
(4) Includes liabilities other than debt, except allowances and the equity investment in Link (See Note 3.h.). Such liabilities bear no interest.

Rafael Fernández Morandé
President

LIMITED REVIEW REPORT

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

1. We have carried out a limited review of the balance sheet of Transportadora de Gas del Sur S.A. at March 31, 2002, and of the related statements of income, changes in shareholders' equity and cash flows for the three-month period then ended and the complementary notes and exhibits. Furthermore, we have carried out a limited review of the consolidated financial statements of Transportadora de Gas del Sur S.A. with its subsidiary for the three-month period ended on March 31, 2002, which are presented as complementary information. The preparation and issuance of the financial statements are the responsibility of the Company's management.

2. Our review was limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of interim financial statements, which consist mainly of the application of analytical procedures to the amounts disclosed in the financial statements and inquiries of Company staff responsible for the preparation of the information included in the financial statements and of its subsequent analysis. These reviews are substantially less in scope than an audit, the objective of which is to express an opinion on the financial statements under review. Accordingly, we do not express an opinion on the Company's financial position, the results of operations, the changes in its shareholders' equity and its cash flows, or on its consolidated financial statements.

3. Balances at March 31, 2001 which are presented as comparative information were reviewed by another professional, who issued his limited review report without observations dated April 10, 2001.

4. As established by Resolution No. 1/2002 of the Professional Council in Economic Sciences of the City of Buenos Aires ("CPCECABA") and Resolution No. 392 of the National Securities Commission ("CNV"), and as explained in Note 2 to the individual financial statements, during the quarter ended on March 31, 2002 the Company recognized the effects of the devaluation of the Argentine peso. Consequently, based on Resolution No. 3/2002 of the CPCECABA and Resolution No. 398 of the CNV, the Company capitalized certain negative exchange differences related to the indirect financing of fixed assets for a total of $ 1,476,127 under that caption.

5. The Company has prepared the financial statements applying valuation criteria established by the National Securities Commission which, as explained in Note 3.a) to the individual financial statements, differ in certain respects from applicable accounting standards, especially as regards recognition of the effects of inflation on the financial statements. The effect on the financial statements derived from the different valuation criteria has been quantified by the Company and included in that note.

6. Note 2 details the situation at the end of the period in relation to the economic measures adopted by the National Government to confront the Argentine crisis, some of which may have been pending issue at the date of preparation of these financial statements. Those economic measures have significantly affected the Company's economic and financial equation. The main effects were the adoption of a $ 1 to US$ 1 rate applicable to tariffs, the elimination of tariff adjustment clauses based on price indices applicable in other countries and the incidence of the devaluation of the Argentine currency on the Company's operating costs and indebtedness structure. In this scenario, the National Government has called for a utility contract renegotiation process, including the License under which the Company operates. This process is at its initial stage, and at this time it is not possible to anticipate the effects that could be derived at the time of conclusion. The impact generated by all these measures adopted to date by the Government on the financial statements of the Company at March 31, 2002 was calculated according to the evaluations and estimates made by Management at the date of preparing the financial statements. Actual results could differ from those evaluations and estimates, and those differences could be significant. There is uncertainty as to the cash flows and future results to be generated by the Company's operations and, consequently, on whether the recoverable value of fixed assets exceeds their respective net book values. Therefore, the Company's financial statements may not report all the adjustments that could result from these adverse conditions.

7. The changes to the basic parameters of the Company's license as a result of the measures mentioned in the previous paragraph and especially the effect of the devaluation of the Argentine peso on the financial debt in foreign currency have resulted in non-compliance with certain covenants that the Company had agreed to observe in connection with certain financial liabilities. Although the Company is renegotiating the obtaining of a waiver in connection with these ratios, if no such waiver is obtained, certain long-term financial debts could be claimable by creditors, in which case those liabilities should be reclassified as current debt.

8. Company Management is currently defining and implementing an action plan to counteract the negative impact generated by the situation described above. Although Management considers that the action plan implemented will contribute to mitigating that negative impact, no assurance can be provided that it will succeed in implementing it and if once implemented it will meet the objectives. The financial statements have been prepared by the Company assuming that it will continue as a going concern. Therefore, these financial statements do not include the effects of possible adjustments or reclassifications, if any, that might be required if the above situation is not resolved. At this time it is not possible to foresee the future development of the country's economy, the results of the License and covenant renegotiation process, or the consequences on the economic and financial situation of the Company. Thus, the Company's financial statements must be considered in the light of these uncertain circumstances.

9. Based on the work done and on our examination of the Company's financial statements and consolidated financial statements for the year ended December 31, 2001, on which we issued our report dated April 10, 2002 containing a qualification as to the uncertainty regarding the generation of future cash flows to pay the financial liabilities at their original maturities, we report that the financial statements of Transportadora de Gas del Sur S.A. at March 31, 2002 and its consolidated financial statements at that date, prepared in accordance with accounting standards in effect in the Autonomous City of Buenos Aires, consider all significant facts and circumstances of which we have become aware and regarding them we have no observations to make.

10. In accordance with current regulations, we report that:

a) the financial statements of Transportadora de Gas del Sur S.A. and its consolidated accounting statements were transcribed to the "Inventory and Balance Sheet" book and comply with the provisions of the Corporations Law and pertinent resolutions of the National Securities Commission;

b) the financial statements of Transportadora de Gas del Sur S.A. arise from accounting records carried in all formal respects in accordance with legal requirements;

c) we have read the summary of activity and the additional information to the notes to the financial statements required by section 68 of the Buenos Aires Stock Exchange regulations on which, as regards those matters that are within our competence, we have no observations to make other than those mentioned in paragraphs 3 to 8;

d) at March 31, 2002, the debt of Transportadora de Gas del Sur S.A. accrued in favor of the Integrated Retirement and Survivors' Benefit System according to the accounting records amounted to $ 526,862, none of which was claimable at that date.

Buenos Aires, May 30, 2002

PRICE WATERHOUSE & CO.

by (Partner)