Financial statements and Summary of Events
as of June 30, 2003 and 2002
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 SIX-MONTH PERIOD ENDED JUNE, 30, 2003 ("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 June 30, 2003 and 2002, which have been prepared in accordance with Argentine GAAP, as well as the provisions of the CNV and the ENARGAS.

1- Basis of Presentation of Financial Information

Effects of inflation:

Financial statements have been prepared in constant argentine pesos and include the effects of inflation through August 31, 1995. As from that date, and in line with professional accounting standards and regulating agencies requirements, the method of restatement for the effects of inflation was discontinued until December 31, 2001. However, as from January 1, 2002, in view of the high inflation rates suffered from the beginning of 2002 - and in compliance with the provisions of Resolution 3/2002 of the Professional Council in Economic Sciences of the City of Buenos Aires (CPCECABA) and the Resolution N° 415 of the CNV- the Company has re-adopted the recognition of the effects of inflation following the restatement method provided in Technical Resolution N° 6 of the Argentine Federation of Professional Councils in Economic Sciences ("FACPCE") with the amendments introduced by the Technical Resolution N° 19 of the same Federation. According to Resolution 3/2002 accounting calculations restated to reflect the change in the acquisition power of the currency up to the moment of the interruption of the adjustments, as well as those originated during the stability period, are considered to be stated in constant pesos as of December 2001.

On March 25, 2003 the Executive Branch issued Decree N° 664, which suspended the application of inflation accounting for financial statements closing subsequent to such date, and consequently they will be stated in historical pesos. As a consequence and in accordance with Resolution N° 441, issued by CNV , the Company suspended the accounting for inflation effective March 1, 2003. The CPCECABA has not adhered to the discontinuance of the recognition for the effects of inflation. The impact of the unaccounted inflation on the financials statements as of June 30, 2003 include: an unrecognized a Ps. 151 million assets decrease and a non recognized loss for the period amounting to Ps. 92 million. Amounts at June 30, 2002 and at December 31, 2002, included for comparative purposes, derive from the amounts included in the financial statements at and for such dates, restated in constant pesos as of February 28, 2003. To this end, the Company used a conversion factors based on wholesale internal price index ("WIPI"), as published by the *Instituto Nacional de Estadisticas y Censos* ("INDEC"). Based on such index cumulative inflation at February 28, 2003 is 120%.

Accounting for devaluation effects:

Resolution No. 3/2002 of the CPCECABA and Resolution No. 398 of the CNV established that exchange losses arising from the devaluation of the peso as from January 6, 2002 and other effects derived from such devaluation, to the extent they are related to foreign currency liabilities existing at such date, are to be added to the cost basis of assets acquired or constructed with direct financing by such foreign currency liabilities. Similar alternative treatment is permitted, but not required, for exchange losses arising from indirect financing. In both cases, the amount of the exchange loss capitalized as part of the value of an asset may not exceed the recoverable value of such assets. TGS has elected to capitalize an exchange loss and maintains a capitalization amounting to approximately Ps. 140,7 million in property, plant and equipment at June 30, 2003 (using the alternative criteria). To this purpose, the Company has considered exchange differences arising as from January 6, 2002 in connection with foreign currency liabilities existing as of such date. It was assumed that the proceeds from such liabilities were used in the first place to cover working capital requirements and secondly to finance the assets that do not qualify for capitalization. The remainder was assumed to relate to assets for which capitalization is permitted.

(1) Not covered by the Limited Reviewed Report of Independent Public Accountants except for items 5, 6 and 8.

New accounting rules:

On December 21, 2001, the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA") approved new accounting standards (Technical Resolution ("TR") 16 to 19 issued by the Argentine Federation, with certain amendments). The new accounting standards have modified the current valuation principles for assets and liabilities, introduced new valuation techniques for certain issues not addressed by the previous accounting standards and also incorporated additional disclosure for the preparation of financial statements. Since January 2003, TR N° 20 " Valuation of Derivative Financial Instruments and Hedging Operations" is effective. Also, CNV issued Resolution N° 434/03 which adopted such new accounting rules, with certain amendments, effective starting January, 1, 2003.

The principal modifications introduced by the new accounting standards which have impacted on TGS's financial statements are: (i) the adoption of an accounting model which enhances the utilization of the Company's intention as valuation principle (such as the discounted value of receivables and liabilities); (ii) the incorporation of strict standards to make comparisons with fair values; (iii) the creation of standards to account for labor costs, derivative financial instruments and hedging operations; (iv) the mandatory application of the deferred income tax method for recognizing income tax charges; and (v) new disclosure policy, including business segment and per share information and the information included for comparative purposes (see note 3 to the financial statements).

Debt Restructuring Proposal:

As a consequence of the withdrawal of the Restructuring Proposal announced by TGS on May 14, 2003 (see Note 6 to TGS´s financial statements), most loans formerly classified as non-current in view of their original maturities were re-classified as current loans in TGS balance sheets as June 30, 2003 and December 31, 2002. Additionally, the withdrawal of the proposal resulted in an accrual of default interest derived from TGS´s breach of the financial agreements entered with its creditors. As such default interests require a formal demand from the creditor to be due and payable -demand which has not been made- and considering that the restructuring proposal specifically contained clauses for the waiver of such interests, TGS management considered the claim of default interests as a remote contingent liability and consequently it was not included in the Company´s financial statements presented for the fiscal year ended on December 31, 2002 nor for the three-month period ended March 31, 2003. However, in light of the withdrawal of the Restructuring Proposal, the Company has recognized the mentioned interests in the present financial statements, which amount to Ps 8,1 million for the fiscal year ended as of December 31, 2002.

2. Results of Operations

The following table presents a summary of the results of operations for the six-month periods ended June 30, 2003 and 2002:

	2003	2002	Variation
	(In million of pesos)		
Net revenues	**438.5**	**502.2**	**(63.7)**
Gas transportation	209.5	318.7	(109.2)
NGL production and commercialization	207.7	159.9	47.8
Other services	21.3	23.6	(2.3)
Operating costs	**(223.6)**	**(215.1)**	**8.5**
Other operating costs	(131.9)	(97.9)	(34.0)
Depreciation and amortization	(91.7)	(117.2)	25.5
Gross profit	**214.9**	**287.1**	**(72.2)**
Administrative and selling expenses	(30.1)	(33.5)	3.4
Operating income	**184.8**	**253.6**	**(68.8)**
Other loss, net	(1.3)	(1.9)	0.6
Equity in earnings (loss) of affiliates	3.7	1.9	1.8
Net financial results	(9.1)	(799.4)	790.3
Income tax	135.9	31.9	104.0
Net income (loss)	**314.0**	**(513.9)**	**827.9**

Overview

For the six-month period ended June 30, 2003 the Company has reported a net income of Ps. 314.0 million, basically reflecting the impact of the appreciation of the peso with reference to the dollar and the effectiveness of the new accounting rules, particularly the mandatory adoption of the deferred income tax method. The net income recorded in 2003 first half is compared to the net loss of Ps. 513.9 million for the same period of the previous year, which derives from the impact of the peso devaluation, occurring as from January 2002, on TGS´s outstanding dollar-denominated indebtedness.

Net Revenues

Regulated business

Gas transportation

Gas transportation service is the Company's primary business and accounted for approximately 48% and 63% of total net revenues earned during the six-month period ended June 30, 2003 and 2002, 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 six-month period ended June 30 2003 decreased by 34% compared with same period 2002. Although contracted capacity remained leveled, gas transportation revenue decreased basically is a result of the lack of tariff adjustment and the inflation restatement of 2002 first half figures. For more information about the current status of regulated tariffs refer to Note 7 to the consolidated financial statements as of June 30, 2003.

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 47% and 32% of the Company's total net revenues during the six-month periods ended June 30, 2003 and 2002 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 revenue rose by Ps. 47.8 million in the first half 2003 as compared to the same half 2002, reflecting a combination of effects, including : (i) higher international prices for the exports of LPG, (ii) increase in the prices for the local market , and (iii) the renegotiation of some processing and marketing agreements originally "pesified" and now US dollar-tied. The mentioned positive effects were partially offset by the inflation restatement of 2002 figures, which means that the increase in prices and margins has overcome local inflation.

Other Services

Other services segment is not subject to regulation by ENARGAS.

The Company renders midstream services, which basically consist of gas treatment, separation, and 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.

Other services revenue, which also include telecommunication services, rendered through its controlled company TELCOSUR, reported a Ps. 2.3 million decrease in the current 2003 half as compared to the same period of last year, basically for the reason that one-time construction services rendered in 2002 first half were higher than the ones rendered in the present 2003 half and also due to the inflation restatement of 2002 figures. Both effects were partially offset by tariff renegotiation regarding midstream and telecommunications agreements carried out during 2003.

Costs of Sales and Administrative and Selling Expenses

Costs of sales and administrative and selling expenses for the first half 2003 increased by Ps. 5,1 million as compared to the same period of last year, mainly reflecting higher costs required for NGL processing and marketing. However, such effect was partially offset by the effect of a lower depreciation expense as a consequence of the decline in the capitalization of exchange loss in Property, Plant and Equipment generated by a decrease in the exchange rate at the closing of the period and a decrease in other operating expenses, which have increased at a lower rate than general inflation

Net Financial Results

Net financial results for the six-month period ended June 30, 2003 decreased by Ps. 790.3 million as compared to the same period of last year as detailed below:

	2003	2002
Generated by Assets		
Interest income	11.1	6.7
Loss on exposure to inflation	(5.1)	(235.1)
Foreign exchange gain, net of inflation	(68.3)	183.9
Total	(62.3)	(44.5)
Generated by Liabilities		
Interest Expense	(112.8)	(126.8)
Gain on exposure to inflation	1.5	75.0
Foreign exchange loss, net of inflation	184.6	(681.6)
Intangible assets amortization	(6.2)	(8.3)
Others	(13.9)	(13.2)
Total	53.2	(754.9)

For the six-month period ended June 30, 2003, the Company reported a net financial loss of approximately Ps. 9.1 million as compared to a net financial loss of Ps. 799.4 million in the corresponding 2002 half. This significant decrease is due fundamentally to the argentine peso appreciation with reference to the dollar, which partially absorbed the generation of interests. This gain partially offsets the significant loss reported in the 2002 first half in an escalating devaluation context - when the exchange rate leapt from US$ 1=Ps. 1 to US$1= Ps. 3.80- net of the capitalized portion in Property, Plant and Equipment and the recognition of inflation effects on the payable currency position of the Company.

Income Tax

For the first half ended June 30, 2003, the Company reported a Ps. 135.9 million gain for the application of the deferred income tax method which resulted in the recognition of a lower deferred tax liability due to a decrease in the capitalization of exchange loss in Property, Plant and Equipment. This gain compares to the Ps. 31.9 million gain reported in 2002 first half , reflecting basically the accounting of significant deferred tax assets derived from the tax loss carryforward generated by the devaluation effect, partially offset by the recording of a deferred tax liability resulting from the capitalization of exchange loss.

3. Liquidity

TGS's primary sources and uses of cash during the six-month periods ended June 30, 2003 and 2002, are shown in the table below:

	2003	2002	Variation
	(in million of pesos)		
Cash flows from operating activities	193.1	160.3	32.8
Cash flows used in investing activities	(31.6)	(66.6)	35.0
Cash flows from financing activities	(1.6)	(7.5)	5.9
Net increase in cash and cash equivalents	**159.9**	**86.2**	**73.7**

Cash flows from operations during the first half ended June 30, 2003, increased by Ps. 32.8 million as compared to the same period last year, mainly deriving from the deferral of the payment of interests as from May 15, 2003, which was partially offset by the effect of the inflation restatement of cash flows in 2002 first half. On the other hand, the cash flows used in investing activities decreased in the current half as compared to the same period last year, as such amount included the cost of a system expansion which was cancelled due to the economic crisis. Cash flows used in financing activities were also lower as the company has suspended settlements of debt principal .

4. 2003 Second Quarter vs. 2002 Second Quarter

The following table presents a summary of the consolidated results of operations for the second quarters ended June 30, 2003 and 2002:

	2003	2002	Variation
	(en millones de pesos)		
Net revenues	**218.1**	**237.3**	**(19.2)**
Gas transportation	105.3	126.6	(21.3)
NGL production and commercialization	101.1	103.1	(2.0)
Other services	11.7	7.6	4.1
Operating costs	**(113.6)**	**(98.7)**	**(14.9)**
Other operating costs	(68.8)	(44.6)	(24.2)
Depreciation and amortization	(44.8)	(54.1)	9.3
Gross operating profit	**104.5**	**138.6**	**(34.1)**
Administrative and selling expenses	(13.9)	(17.2)	3.3
Operating income	**90.6**	**121.4**	**(30.8)**
Other loss, net	1.3	(0.6)	1.9
Equity in earnings (loss) of affiliates	2.1	3.5	(1.4)
Net financial results	(39.1)	63.5	(102.6)
Income tax	41.5	(12.0)	53.5
Net income (loss)	**96.4**	**175.8**	**(79.4)**

For the second quarter ended June 30, 2003 net revenues decreased to Ps. 218.1 million from Ps. 237.3 million in the same period of last year, as a result of lower revenues in the transportation segment. Such segment recorded revenues of Ps. 105.3 million in this second quarter of 2003, lower than the Ps. 126.6 million generated during the same period of last year, basically due to the lack of tariff adjustment in regulated business and the inflation restatement of 2002 figures.

Net revenues from the NGL production and commercialization segment slightly decreased to Ps. 101.1 million in 2003 second quarter as compared to the Ps 103.1 million recorded in the same period of 2002. This variation reflects the inflation restatement of 2002 figures partially offset by the price effect mentioned above (first half 2003 vs 2002 variations)

Other services revenues reported a Ps. 4.1 million positive variation in the current quarter as compared to the same period of last year basically due to the renegotiation of tariffs related to midstream and telecommunications agreements and the one-time revenue for the construction of a plant in the north of the country. Both effects were partially offset by the inflation restatement of 2002 figures.

Costs of sales for the second quarter 2003 increased by Ps. 14,9 million (roughly 15%) from Ps. 98.7 million in 2002 second quarter to Ps. 113.6 million in the current 2003 quarter. This increase reflects basically higher costs required for NGL processing and marketing. Such effect was partially offset by the impact of a lower depreciation expense as a consequence of the decline in the capitalization of exchange loss in Property, Plant and Equipment generated by a decrease in the exchange rate at the closing of the period as well as a decrease in other operating expenses, which have increased at a lower rate than general inflation.

For the second quarter 2003, the Company reported a net financial loss of approximately Ps. 39.1 million, figure that includes a gain derived from peso appreciation with reference to the dollar. Such loss is compared to a net financial gain of Ps. 63.5 million in the corresponding 2002 quarter, basically deriving from the accounting of general inflation of the period -amounting to 48%-, partially offset by the impact of devaluation in such period.

For the second quarter 2003, the Company reported a Ps. 41.5 million gain in Income Taxes, determined by the application of the deferred income tax method, which resulted in a lower deferred tax liability as of June 30, 2003 – due to a decrease in the capitalization of exchange loss derived from a lower exchange rate. This gain in this period of 2003 compares to the Ps. 12.0 million loss reported in the second quarter 2002, reflecting basically the valuation allowance for cumulative tax loss carryforward, net of an increase in the deferred tax liability resulting from a higher capitalization of exchange loss.

5. CONSOLIDATED BALANCE SHEET SUMMARY

Summary consolidated balance sheet information as of June 30, 2003 and 2002.

	(in thousands of Argentine pesos as described in Note 3.a. to TGS's financial statements)	
	2003	2002
Current assets	530,308	364,458
Non-current assets	4,668,861	6,114,751
Total	**5,199,169**	**6,479,209**
Current liabilities	3,103,921	2,289,216
Non-current liabilities	8,746	2,323,039
Sub Total	3,112,667	4,612,255
Shareholders' equity	2,086,502	1,866,954
Total	**5,199,169**	**6,479,209**

6. CONSOLIDATED INCOME STATEMENT SUMMARY

Summary consolidated income statement information for the six-month periods ended June 30, 2003 and 2002.

	(in thousands of Argentine pesos as described in Note 3.a. to TGS' financial statements)	
	2003	2002
Operating income....................................	184,808	253,637
Other expenses, net	(1,255)	(1,932)
Equity in earnings (losses) of affiliates	3,657	1,863
Net financial results…	(9,132)	(799,431)
Net income (loss) before income tax....	178,078	(545,863)
Income tax	135,926	31,917
Net income (loss) for the period	**314,004**	**(513,946)**

7. STATISTICAL DATA (PHYSICAL UNITS)

	First half of					Quarter April-June of				
Gas Transportation	2003	2002	2001	2000	1999	2003	2002	2001	2000	1999
Average firm contracted capacity (thousands of m³/d)	61,485	61,545	59,287	57,503	55,904	61,633	61,504	60,379	57,827	55,994
Average daily deliveries (thousands of m³/d)	54,237	48,783	47,344	49,437	46,378	62,741	56,094	51,372	55,071	52,267
NGL production and commercialization										
• Production										
Ethane (metric tons "mt")	170,453	166,270	133,400	162,858	166,814	83,795	89,602	55,841	90,036	84,411
Propane (mt)................................	143,176	152,357	127,252	179,355	172,452	76,653	84,190	64,501	88,311	90,380
Butane (mt)	93,633	98,624	86,419	121,438	118,940	50,317	54,925	43,202	57,691	63,083
Natural Gasoline (mt)..................	45,513	47,075	40,501	56,272	57,916	25,120	26,900	20,295	28,287	31,113
• Local market sales (a)										
Ethane (mt)	170,453	166,270	133,400	162,858	166,814	83,795	89,602	55,841	90,036	84,411
Propane (mt)................................	74,562	80,837	90,115	130,598	128,977	40,801	55,148	45,434	69,487	68,473
Butane (mt)	54,324	46,317	57,035	97,868	87,686	30,876	27,264	26,137	49,625	46,308
Natural Gasoline (mt)..................	5,303	7,808	13,684	22,531	33,894	3,065	4,939	5,272	11,615	19,328
• Exports (a)										
Propane (mt)................................	64,707	65,050	17,621	43,135	41,785	31,102	26,867	4,762	10,568	25,129
Butane (mt)	45,801	53,605	22,720	27,047	39,807	26,973	31,707	13,558	10,365	24,804
Natural Gasoline (mt)..................	37,980	38,193	28,028	36,855	20,391	23,607	26,324	11,889	14,811	13,290

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

8. COMPARATIVE RATIOS

		06/30/03	06/30/02
Liquidity	(a)	0.17	0.16
Shareholder´s equity to total liabilities		0.67	0.40
Non current assets to total assets.		0.90	0.94

(a) Current assets to current liabilities

9. OTHER INFORMATION

		For the six-month periods ended June 30,	
		2003	2002
Return on net revenues	(a)	0.72	(1.02)
Earnings (losses) per share..........................	(b)	0.40	(0.65)

(a) Net income (losses) to net revenues for the period.
(b) Based on 794,495,283 shares (total outstanding shares as of June 30, 2003).

TGS share market value in Buenos Aires Stock Exchange at closing of last business day

	2003	2002	2001	2000	1999
January	1.06	1.78	1.57	1.58	1.93
February	1.29	1.20	1.44	1.83	1.99
March	1.22	1.05	1.52	1.69	1.90
April	1.66	0.82	1.40	1.63	1.91
May	1.63	0.64	1.41	1.55	1.80
June	1.77	0.51	1.38	1.80	1.88
July	1.76	0.61	1.26	1.64	1.73
August		0.95	1.32	1.48	1.54
September		0.94	1.12	1.50	1.65
October		1.10	0.89	1.75	1.70
November		1.27	0.98	1.45	1.67
December		1.10	1.30	1.40	1.88

9. OUTLOOK

For the rest of the year, the Company still faces two main challenges: (i) its debt restructuring, and (ii) the adjustment of its tariffs.

In respect to its debt restructuring, given the withdrawal of the Company´s Debt Restructuring Proposal as well as its failure to pay debt principal and the deferral of payments of interests arising from the subscribed financial agreements, at the date of the issuance of the present financial statements the Company is still negotiating with its major creditors in order to implement the restructuring of its financial indebtedness and align TGS´s debt service to its expected operating cash flow..

As regards tariff adjustment , for the rest of the 2003 fiscal year TGS expects to start negotiations with representatives of the new government in office in order to outline the foundations for future tariff adjustments, which the Company believes it will obtain in the future.

Buenos Aires, August 7, 2003

Rafael Fernández Morandé
President of the Board

TRANSPORTADORA DE GAS DEL SUR S.A.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND AS OF DECEMBER 31, 2002

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

	2003	2002
CURRENT ASSETS		
Cash and deposits in banks	10,581	5,961
Investments, net (Exhibit D)	360,995	202,694
Trade receivables (Note 4)	101,097	116,140
Other receivables	52,588	47,312
Inventories	5,047	6,771
Total current assets	530,308	378,878
NON CURRENT ASSETS		
Trade receivables	27,968	43,817
Other receivables	131,573	18,419
Investments, net (Exhibit C)	564	2,742
Property, plant and equipment, net (Exhibit A)	4,452,243	4,960,579
Intangible assets,net (Exhibit B)	56,513	65,622
Total non-current assets	4,668,861	5,091,179
Total assets	5,199,169	5,470,057

	2003	2002
CURRENT LIABILITIES		
Accounts payable	81,998	85,951
Loans (Note 6)	2,986,561	3,536,834
Payroll and social security taxes, payable	5,385	4,846
Taxes payable	12,616	12,031
Other liabilities	17,361	14,717
Total current liabilities	3,103,921	3,654,379
NON CURRENT LIABILITIES		
Accounts payable	217	10,801
Loans (Note 6)	8,529	2,445
Taxes payable	-	29,934
Total non-current liabilities	8,746	43,180
Total liabilities	3,112,667	3,697,559
MINORITY INTEREST	-	-
SHAREHOLDER'S EQUITY	2,086,502	1,772,498
Total liabilities and shareholders' equity	5,199,169	5,470,057

Notes 1 to 11 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 OPERATIONS

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND 2002

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

	2003	2002
NET REVENUES (Note 4)	438,561	502,157
OPERATING COSTS (Exhibit F)	(223,640)	(215,063)
Gross profit	214,921	287,094
ADMINISTRATIVE EXPENSES (Exhibit H)	(13,676)	(17,397)
SELLING EXPENSES (Exhibit H)	(16,437)	(16,060)
Operating Income	184,808	253,637
OTHER EXPENSES, NET	(1,255)	(1,932)
EQUITY IN EARNINGS OF AFFILIATES	3,657	1,863
NET FINANCIAL RESULTS		
Generated by Assets		
Interest income	11,128	6,739
Loss on exposure to inflation	(5,151)	(235,157)
Foreign exchange gain - net of inflation	(68,337)	183,873
Generated by Liabilities (Exhibit H)		
Interest expense	(112,817)	(126,821)
Gain on exposure to inflation	1,483	74,975
Foreign exchange loss - net of inflation	184,578	(681,599)
Intangible assets amortization	(6,162)	(8,234)
Others	(13,854)	(13,207)
Net income (loss) before income tax and minority interest	178,078	(545,863)
INCOME TAX (Note 3.j)	135,926	31,917
MINORITY INTEREST	---	---
Net income (loss)	314,004	(513,946)
Net income (loss) per share (Note 3.p)	0.40	(0.65)
Net income (loss) per ADS (Note 3.p)	2.00	(3.25)

Notes 1 to 11 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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND 2002

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

	2003						2002
	Shareholders´Contributions			Retained Earnings			
	Common Stock	Inflation adjustment to Common Stock	Subtotal	Legal Reserve	Unappropriated Retained Earnings	Total Shareholders' Equity	Total Shareholders' Equity
Balance at the beginning of year	794,495	1,145,012	1,939,507	148,517	(301,893)	1,786,131	2,424,253
Adjustment on prior year (1)	-	-	-	-	(13,633)	(13,633)	(43,353)
Modified balance at the begining of fiscal year	794,495	1,145,012	1,939,507	148,517	(315,526)	1,772,498	2,380,900
Net income (loss) for the period	-	-	-	-	314,004	314,004	(513,946)
Balances at the end of period	794,495	1,145,012	1,939,507	148,517	(1,522)	2,086,502	1,866,954

(1) See Note 3 and Note 6 "Debt Restructuring Proposal".

Notes 1 to 11 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 SIX- MONTH PERIODS ENDED JUNE 30, 2003 AND 2002

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

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (loss)	314,004	(513,946)
Reconciliation of net income (loss) to cash flows from operating activities		
Depreciation of property, plant and equipment	89,931	117,020
Amortization of intangible assets	11,325	13,754
Retirement of Property, plant and equipment	14,202	1,113
Retirement of intangible assets	3,485	-
Increase of allowances and provisions	(12,694)	-
Equity in earnings of affiliate	(3,657)	(1,863)
Interest payable	112,817	126,821
Income tax and asset tax payable	(135,926)	(31,917)
Results for inflation and foreign exchange rate (loss) earnings	(173,072)	583,536
Changes in assets and liabilities:		
Trade receivables	33,612	(35,418)
Other receivables	(10,899)	(25,364)
Inventories	1,674	905
Accounts payable	(2,766)	35,683
Payroll and social security taxes payable	575	(2,881)
Taxes payable	2,700	28,175
Other liabilities	6,422	1,988
Others	(4,861)	(19)
Interest paid	(51,785)	(116,353)
Income tax and asset tax paid	(2,032)	(20,950)
Cash provided by operating activities	193,055	160,284
CASH FLOWS USED IN INVESTING ACTIVITIES		
Capital contributions in affiliated company	(571)	(1,246)
Purchases of property, plant and equipment	(31,032)	(65,351)
Cash used in investing activities	(31,603)	(66,597)
CASH FLOWS (USED IN) FROM FINANCING ACTIVITIES		
Proceeds from loans	-	32,210
Payments of loans	(1,557)	(122,205)
Net increase in short term debt (1)	-	82,492
Cash (used in) provided by investing activities	(1,557)	(7,503)
NET INCREASE IN CASH AND CASH EQUIVALENTS	159,895	86,184
Cash and cash equivalents at the begining of year	204,135	122,256
Cash and cash equivalents at the end of period	364,030	208,440

(1) Less than three-month maturity.

Notes 1 to 11 and Exhibits A to I are integral parts of these statements.

Rafael Fernández Morandé
President

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 transactions on December 29, 1992 and it 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 Petrobras Energía S.A. (formerly Pecom Energía S.A.) ("Petrobras Energía") and Enron Corp. ("Enron") hold approximately 70% of the Company's common stock. CIESA is owned 50% by Petrobras Energía and a subsidiary and 50% by subsidiaries of Enron. Local and foreing investors hold the remaining ownership of TGS´s common stock.

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, the critical state of the financial system, and an economic recession which has led to a significant decrease in internal demand for goods and services and to a large rise in the level of unemployment.

In order to face this crisis, as from December 2001 the Government issued a number of measures, laws, decrees and regulations which generated a deep change in the economic model effective until then. Among the adopted measures, the implementation of a floating exchange rate led to a significant devaluation recorded in early 2002 and the "pesification" of foreign-currencies denominated assets and liabilities held in the country.

The situation derived in a significant and irregular increase during the year 2002 in the several economic indexes such as exchange rate, wholesale internal price index (used in the restatement of the financial statements of the previous year) and specific ratios of goods and services characteristic of the Company´s business. These circumstances affect the comparability of the financial statements and its interpretation must be carried out in light of them.

The significant damage in TGS's financial condition and results of operations is the result of the changes introduced to the argentine economy and to the TGS ´s License by Law 25,561 ("The Public Emergency Law"), enacted on January 6, 2002. Such law included the "pesification" of regulated tariffs to an exchange rate Ps. 1=US$ 1 and the prohibition to adjust them either by local or by foreign index. In addition, the National Congress through such law granted the Executive Branch power to renegotiate contracts entered into with private companies who render public services (see Note 7).

Also, the significant devaluation, which started after the amendments to the exchange system and the inflationary process that commenced thereafter, negatively impacted on the Company's cash generation capacity necessary to face its outstanding indebtedness -substantially all dollar-denominated- within its original maturities. Although the Company's Management has implemented an action plan to minimize the effects of the situations above mentioned, whose success can not be assured in respect to neither its implementation nor its goals, TGS's financial condition and results of operations have not much improved and under the existing circumstances there is no access to external financing. In late February 2003, TGS started a global restructuring process of a substantial portion of its indebtedness without obtaining the Requisite Majorities as required by Argentine Law in order to file the out-of-court reorganization agreement (APE) for endorsement. Therefore, on May 14 2003, TGS decided to withdraw the mentioned Restructuring Proposal and at the same time announced the deferral of interest payments. At the date of the issuance of the present financial statement, the Company is assessing available alternatives to improve its financial condition and in due time will announce the plan to be implemented (see Note 6. Debt Restructuring Proposal).

The above mentioned situation has been considered by the Company's Management to make significant accounting estimates contained in these financial statements, which include the fair value of long lived assets and cumulative tax loss carryforward at the end of period. To such purpose the Company´s Management regularly prepares economic-financial projections based on alternative scenarios which derive from different macroeconomic, financial, market and regulatory assumptions deemed as most probable. Changes in prices and adjustments to operating cost have been considered in the preparation of estimates so as to improve TGS's financial condition and results of operations. Actual results may differ from those estimates.

The impacts generated by the measures adopted by the Argentine Government on the Company's financial condition and results of operations as of and for the year ended June 30, 2003 have been calculated based on the assessments made by the Company's management at the date of preparing the financial statements. Actual results may materially differ from such evaluations and estimates and such differences might be significant. Therefore, the Company's financial statements may not include all adjustments that could result from these adverse conditions. Furthermore, at the time of the issuance of these financial statements it is not possible to foresee the future development of the country's economy, neither the result of the License and the global restructuring process, nor the consequences on the Company's financial condition and results of its operations. Consequently, any decision taken on the basis of these consolidated financial statements must consider the effects of these measures, and their future development and the Company's financial statements must be read in the light of these uncertain circumstances.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles used in Argentina ("Argentine GAAP"), (except for what is mentioned in a) to this note) and the regulations of the Comisión Nacional de Valores ("CNV"), the National Securities Commission in Argentina, and ENARGAS. These financial statements do not include certain additional disclosure to approximate to the requirement issued by the Securities and Exchange Commission ("SEC").

The preparation of the 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 years. Actual results could differ from those estimates.

The consolidated financial statements include the accounts of TGS and its subsidiary TELCOSUR S.A. ("TELCOSUR") 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 direct control as of June 30, 2003, and December 31, 2002 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

On December 21, 2001, the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("CPCECABA") approved new accounting rules (Technical Resolution ("TR") 16 to 19 issued by the Argentine Federation, with certain amendments). The new accounting rules have modified the valuation principles for assets and liabilities, introduced new valuation techniques for certain issued not addressed by the previous accounting rules and also incorporated additional disclosure for the preparation of financial statements. Since January 2003, TR N° 20 " Valuation of Derivative Financial Instruments and Hedging Operations" is effective. Also, CNV issued Resolution N° 434/03 which adopted such new accounting rules, with certain amendments, effective starting January 1, 2003.

The principal amendments introduced by the new accounting rules which have impacted on TGS's financial statements are: (i) the adoption of an accounting model which enhances the utilization of the Company´s intention as valuation principle (such as the discounted value of receivables and liabilities); (ii) the incorporation of strict standards to make comparisons with fair values; (iii) the creation of standards to account for labor costs, derivative financial instruments and hedging operations; (iv) the mandatory adoption of deferred income tax method to account for income tax; and (v) new disclosure policy, including business segment and per share information and the information included for comparative purposes.

At June 30, 2003, the adoption of these new valuation and disclosure rules according to the transition period rules, generated a prior period adjustment, as follows:

Changes in valuations to assets and liabilities	For the six –month period ended June 30, 2003	Adjustment to Unappropiated retained earnings at December 31, 2002
1. Discount of receivables and liabilities	(2,145)	-
2. Labor Costs	(1,473)	-
3. Valuation of hedging operations [(a)]	(3,386)	-
4. Application of deferred tax method	135,799	(5,522)

(a) In accordance with the transition rule, the balance at beginning of period has not been modified to incorporate the accounting of hedging operations.

Financial statements for the six-month period ended June 30, 2003 and 2002 are unaudited. The Company's Management believes that they contain all adjustment necessary to reasonably present the result of each period. Results for the six-month period ended June 30, 2003 and 2002 do not necessary reflect the portion of the Company's result for the complete fiscal year.

a) <u>Presentation of consolidated financial statements in constant Argentine pesos</u>

The consolidated financial statements have been prepared in constant currency, recognizing the overall effects of inflation up to August 31, 1995. As from that date, in line with professional accounting standards and the requirements of the control authorities, the Company discontinued the restatement of its financial statements until December 31, 2001.

As established by Resolution No.3/2002 of the CPCECABA and Resolution No. 415 of the CNV, as from January 1, 2002 the Company resumed the recognition of the effects of inflation in these financial statements, following the provisions of TR No. 6, as amended by TR. No.19, both issued by the Argentine Federation. Accounting measurements restated due to the change in the purchasing power of the currency up to August 31, 1995, as well as those, which have been originated between that date and December 31, 2001, are stated in the currency value as of the later date.

On March 25, 2003 the Executive Branch issued Decree N° 664, which provides that financial statements closing subsequent to such date shall be stated in historical pesos. As a consequence and in accordance with Resolution N° 441, issued by CNV , the Company suspended the accounting for inflation effective March 1, 2003. The CPCECABA has not adhered to the interruption of the recognition for the effects of inflation. The impact of the unaccounted inflation on the financials statements as of June 30, 2003 include: an unrecognized Ps. 151 million assets decrease and a non recognized loss for the period amounting to Ps. 92 million. Amounts at June 30, 2002 and at December 31, 2002, included for comparative purposes, derive from the amounts included in the financial statements at and for such dates, restated in constant pesos as of February 28, 2003. To this end, the Company used conversion factors based on wholesale internal price index ("WIPI"), as published by the *Instituto Nacional de Estadisticas y Censos* ("INDEC"). Based on such index cumulative inflation at February 28, 2003 is 120%.

b) <u>Short term receivables and liabilities in currency</u>

Short term receivables and liabilities in currency, including accrued interest if applicable at the end of each period, have been valued at their respective notional amount, which does not materially differ from the present value of the future cash flow that the receivables and liabilities will generate, using the internal rate of return estimated at inception.

c) <u>Foreign currency assets and liabilities</u>

Assets and liabilities denominated in foreign currencies, including accrued interest, if applicable, were translated at the prevailing exchange rates as of June 30, 2003 and December 31, 2002. Detailed information is disclosed in Exhibit G.

d) <u>Inventories</u>

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, as of June 30, 2003 and December 31, 2002. The carrying value of inventories does not exceed its recoverable value.

e) <u>Investments</u>

Overnight accounts are valued at their face value plus accrued interest, which does not materially differ from its discounted value using the internal rate of return effective at inception.

Money market funds have been valued at their respective fair value.

Investments in Sovereign Bonds to be held to maturity (Exhibit C and D) have been valued based on the best estimate of the present value of the cash to be received, using the discount rate estimated at the time of incorporation of the assets. The book value of these investments, net of corresponding impairment, does not exceed their respective recoverable value at June 30, 2003 and December 31, 2002.

The investments in Gas Link S.A. ("LINK") and Isonil S.A. ("Isonil") as of June 30, 2003 have been valued by the equity method, following the provisions established by TR No. 5 of the Argentine Federation. These investments have been calculated based on their respective financial statements as of the dates indicated in Exhibit C, which were prepared applying similar criteria to those used by the Company to prepare its consolidated financial statements. At June 30, 2003 and December 31, 2002, the investment in LINK has been adjusted by Ps. 6,191 and Ps. 6,255, respectively, due to the elimination of intercompany transactions, following the provisions established by TR N° 5 of the Argentine Federation. Due to these adjustments, LINK's equity method value is negative and is registered in "Other liabilities".

f) <u>Long term receivables and liabilities</u>

Long term receivables and liabilities (except for deferred tax assets and liabilities) have been valued based on the best estimate of the discounted value of the amounts to be received or paid, using the interest rate effective at the time of the transaction or the interest rate to saving accounts issued by the Banco de la Nacion Argentina, effective at the moment of its incorporation to assets or liabilities.

Assets and liabilities generated as a result of the application of the deferred tax method have been calculated at its historical value in accordance with Resolution N° 434 of CNV, net of valuation allowances for non recoverable tax loss carryforward.

g) Property, plant and equipment, net

- Assets transferred from the privatization of GdE: its value was determined based on the price paid for the 70% of the Company's common stock which amounted to US$ 561.2 million. This price was the basis to determine a total value of common stock of US$ 801.7 million, which when added to the Initial Debt assumed under the Transfer Contract of US$ 395.0 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).

- Capitalization of exchange loss: in accordance with Resolution No. 1/2002 of the CPCECABA and Resolution N° 392 of the CNV, the Company has recognized the effects of the devaluation of the peso as from January 1, 2002. Resolution No. 3/2002 of the CPCECABA and Resolution No. 398 of the CNV established that exchange losses arising from the devaluation of the peso as from January 6, 2002 and other effects derived from such devaluation, to the extent they are related to foreign currency liabilities existing at such date, are to be added to the cost basis of assets acquired or constructed with direct financing by such foreign currency liabilities. Similar alternative treatment is permitted, but not required, for exchange losses arising from indirect financing. In both cases, the amount of the exchange loss capitalized as part of the value of an asset may not exceed the recoverable value of such assets.

  TGS has elected to capitalize an exchange loss and maintains such capitalization amounting to approximately Ps. 140,694 in property, plant and equipment at June 30, 2003 (using the alternative criteria). For this purpose, the Company has considered exchange differences arising as from January 6, 2002 in connection with foreign currency liabilities existing as of such date. It was assumed that the proceeds from such liabilities were used in the first place to cover working capital requirements and secondly to finance the assets that do not qualify for capitalization. The remainder was assumed to relate to assets for which capitalization is permitted.

- 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 issued by ENARGAS include definitions about which costs should be considered as improvements or maintenance expenses. Repairs and maintenance cost 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 natural gas 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 outline 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, the Company maintained the straight-line method, changing 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. Gain or loss on retirements on these assets is recognized in income when such retirements occur.

Exchange loss capitalization is depreciated over the remaining useful lives of the assets that led to such capitalization.

Based on the projections in line with Note 2, the Company's management believes that the recorded value of property, plant and equipment, taken as a whole, does not exceed its recoverable value.

h) Intangible assets

Intangible assets are valued at their historical cost, restated for the effects of inflation as described in Note 3.a), less accumulated amortization. As described at the beginning of this note, the amortization of pre-operating costs, organization costs, cancellation costs of commitments assumed under the Transfer Contract and other costs was calculated over a period of primarily thirty-five years through December 31, 2000. Starting January 1, 2001, the net book value of these costs as of December 31, 2000 is being 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 debt issuance costs, are deferred over the term of the related debt.

i) Derivative financial instruments

The Company uses derivative financial instruments as part of its overall strategy to manage its exposure to market risks associated with fluctuations of interest rates. Derivative financial instruments, described in Note 6 consist of interest rate caps. The Company does not use derivatives for trading or speculative purposes.

Gains or losses from derivative financial instruments that qualify for hedge accounting are deferred and recognized together with the gains or losses associated to the hedged item, and included in "Net Financial Expense". In case the financial instrument has been arranged to cover the impact of a future transaction, the gains or losses are deferred and recorded together with the gains or losses of the hedged item.

Assets associated to derivative financial instruments have been valued at their fair value. Liabilities associated to derivative financial instruments have been valued at their estimated cancellation cost. Differences generated as a consequence of the application of the above-mentioned principle, have been recognized as a result of the period.

j) Income tax provision

The Company has calculated its income tax using the deferred tax method, which considers the effect of temporary differences between the financial reporting and income tax bases of accounting.

To estimate deferred tax assets and liabilities, the tax rate expected to be effective at the time of utilization was applied to indentified temporary differences of tax loss carryforwards based on the outstanding legal rules effective at the time of preparation of these financial statements.

The breakdown of the income tax included in the Income Statement is as follows:

	June 30, 2003	December 31, 2002
Estimated income tax / tax loss carryforward	153	646,759
Deferred income tax	(71,763)	(63,266)
Valuation allowance	207,536	(545,662)
Total income tax	135,926	37,831

The evolution and breakdown of deferred tax assets and liabilities are as follows:

	June 30, 2003		December 31, 2002
Current deferred tax assets and liabilities			
Trade receivables	(40)		1.691
Investments, net	-		5.769
Accounts payable	272		-
Payroll and social security taxes payable	516		-
Taxes payable	-		166
Property, plant and equipment	25.632		19.564
Intangible assets, net	(1.194)		(2.825)
Tax loss carryforwards	153		-
Total current	25.339		24.365
Non Current deferred tax assets and liabilities			
Trade receivables	(387)		(786)
Other receivables	700		-
Investments, net	6.308		3.688
Property, plant and equipment	(4.604)		(134.894)
Intangible assets	(3.093)		(2.647)
Accounts payable	-		15
Taxes payable	121		-
Other liabilities	5.661		3.595
Tax loss carryforwards	434.518		646.804
Valuation allowance	(334.118)		(545.662)
Total no current	105.106		(29.887)
Total deferred tax assets (liabilities), net	130.445	(a)	(5.522)

(a) Exposure to inflation results generated by deferred tax liability at December 31, 2002 amounted to a 41 gain, included in the net financial results of the first half 2003

A reconciliation between the amount accrued as income tax and the income tax expense that would result from applying the effective tax rate on the income or loss for book purpose is as follows:

	30/06/03	**31/12/02**
Net income (loss) for the period	178,078	(645,910)
Effective tax rate	35%	35%
Net income (loss) for the period at statutory income tax rate	(62,327)	226,068
Permanent differences at statutory income tax rate		
- Restatement to constant pesos	(12,315)	364,855
- Equity in earnings (losses)	1,280	(1,187)
- Change in valuation allowance	207,536	(545,662)
- Other	1,752	(6,243)
Total net income tax	135,926	37,831

Accumulated and consolidated tax loss carryforwards pending to be used by TGS and Telcosur at period end may be compensated with taxable income in future periods, according to the following detail:

Year	Amount	Year of expiration
Tax loss carryforward 2002	1.834.440	2007
Tax loss carryforward 2003	437	2008
Utilization in 2003	(592.961)	
Total accumulated tax loss carryforward	1.241.916	

The utilization of deferred tax assets including the tax loss carryforwards depends on the generation of future taxable income during the periods in which those temporary differences become deductible. To assess the utilization of such deferred tax assets, the Company considers the reversal of the deferred tax liabilities, its projected future taxable income and tax planning in accordance with what is mentioned in Note 2. Based on such projections the Company is uncertain that it will recover its entire deferred tax asset through future taxable income. Accordingly, it has recognized a valuation allowance amounting to Ps. 334,118 and 545,662 at June 30, 2003 and December 31, 2002, respectively.

k) Asset tax provision

The Company and its subsidiary are subject to the Asset Tax Law ("Impuesto a la Ganancia Mínima Presunta") which became effective for fiscal periods ending after December 30,1998. The asset tax is calculated on an individual entity basis at the statutory tax rate of 1% and it is based upon the taxable assets at the end of the year. Pursuant to this law, the Company is required to pay the greater of the income tax or the asset tax. Any excess of the asset tax over the income tax may be carried forward and recognized as a payment on account of future income tax charges occurring within a period extending over the subsequent ten years.

The accrued asset tax during the period as well as the payment made for this tax in previous years have been classified as a credit since it is likely that it may be applied in future income tax payment in subsequent years.

l) Allowances and provision for contingencies

Deducted from assets: The Company provides for losses relating to its investments and account receivables. The valuacion allowance in respect to sovereign bonds is based on the difference between their book and fair value.

The allowances for trade receivables include certain clients whose recoverability is doubtful as estimated by the Company's management.

In addition, TGS has recognized a valuation allowance related to the tax loss carryforward included in the tax return for the fiscal year 2002, which based on the income projections, will be applied within the next five subsequent years.

Included in liabilities: The Company has certain contingent liabilities with respect to existing or potential claims, lawsuits and other proceedings, including those involving legal and regulatory matters. The Company records liabilities when it is probable that future costs will be incurred and such costs can be reasonably estimated. Such accruals are based on developments to date, the Company's estimates of the outcomes of these matters and the experience of the Company's lawyers in contesting, litigating and settling other matters

Allowances and provisions are 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 "Common stock" which is stated at original cost. The adjustment derived from its restatement has been disclosed in the account "Inflation adjustment to common stock".

n) 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.

o) Statement of operations accounts

The consumption of non-monetary assets was restated based on the date of incorporation of such assets, as disclosed in Note 3.a).

Net financial gain (expense) generated by assets and liabilities, as disclosed in the statement of operations basically include interest, results on exposure to inflation and the remainder of the exchange difference, not eligible for capitalization at June 30, 2003 and 2002 in accordance with Note 3.g).

p) Earnings and dividends per share and per ADS

Earnings and dividends per share and per American Depositary Shares ("ADS") for the six-month periods ended as of June 30, 2003 and 2002 have been calculated based on 794,495,283 outstanding shares during each period. As the Company does not have preferred stock or convertible debt, the basic earning per share is the same as the diluted earning per share.

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 expenses, net, equity in earnings of affiliated company, net financial expense and income tax expense.

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

There were no revenues between the business segments during the reported periods.

Six-Month Period ended June 30, 2003	Gas Transportation	NGL Production and commercialization	Other services	Corporate	Total
Net revenues	209,549	207,678	21,334	-	438,561
Operating income (loss)	89,352	110,093	2,354	(16,991)	184,808
Depreciation of property, plant and equipment	67,600	12,597	6,370	3,364	89,931
Additions to property, plant and equipment (includes work in progress)	10,310	2,254	2,438	1,330	16,332
Identifiable assets	4,026,334	435,371	208,153	529,311	5,199,169
Identifiable liabilities	44,100	35,872	5,922	3,026,773	3,112,667

Six-Month Period ended June 30, 2002	Gas Transportation	NGL Production and commercialization	Other services	Corporate	Total
Net revenues	318,734	159,863	23,560	-	502,157
Operating income (loss)	170,679	98,843	3,603	(19,488)	253,637
Depreciation of property, plant and equipment	87,206	16,132	8,367	5,315	117,020
Additions to property, plant and equipment (include work in progress)	57,347	1,206	1,788	242	60,583

For the fiscal year ended December 31, 2002	Gas Transportation	NGL Production and commercialization	Other services	Corporate	Total
Identifiable assets	4,489,658	472,652	248,474	259,273	5,470,057
Identifiable liabilities	49,604	30,264	14,649	3,603,042	3 697,559

The Company provides credit in the normal course of its gas transportatio n business principally to gas distribution companies, Petrobras Energía, Profertil S.A. ("Profertil") and Repsol YPF S.A. ("YPF"). Concentration of credit and principal customers gross revenues from gas transportation at and for the three-month periods ended June 30, 2003 and 2002 are as follows:

	Trade receivables at,		Gross revenues For the six-month period ended June 30,	
Gas Transportation:	**June 30, 2003**	**December 31, 2002**	**2003**	**2002**
MetroGas S.A.	16,874	18,192	86,728	134,510
Camuzzi Gas Pampeana S.A	7,583	8,055	38,324	59,144
Gas Natural BAN S.A.	6,632	12,740	30,514	46,909
Petrobras Energía	2,871	6,363	12,816	17,895
Camuzzi Gas del Sur S.A	1,642	12,444	8,451	12,948
Profertil	1,134	1,249	5,709	8,973
YPF	1,730	1,072	5,062	9,284

The principal customers in the NGL production and commercialization segment are Polisur S.A., Petrobras International Finance Company ("Petrobras") and Repsol-YPF. The amounts of trade receivables and gross revenues for these customers for the six-month periods ended June 30, 2003 and December 31, 2002 are as follows:

	Trade receivables at		Gross revenues For the six-month period ended June 30	
NGL Production and Commercialization:	**June 30, 2003**	**December 31, 2002**	**2003**	**2002**
Petrobras	17,874	22,832	129,288	45,221
Polisur S.A.	9,924	12,926	83,999	38,193
Repsol- YPF	2,810	3,243	10,052	12,890

5. SUPPLEMENTAL CASH FLOW INFORMATION

In the prepara tion 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 (loss) income to obtain the cash flows from operating activities.

Cash and cash equivalents at the end of the period are as follows:

	At June 30,	
	2003	**2002**
Cash and deposits in banks	10,581	5,385
Current investments, net	360,995	211,370
Current investments with original maturity longer than three months	(7,546)	(8,315)
Total	364,030	208,440

Non-cash transactions eliminated from the cash flow statements are as follows:

	At June 30,	
	2003	**2002**
Financed by suppliers	9,915	9,751
Payment of income tax debt through tax compensation	47	966
Exchange loss capitalization	(416,349)	1,529,177

6. LOANS

As a consequence of the withdrawal of the Restructuring Proposal (described below) and the postponment of interest payments, both announced by TGS on May 14, 2003, the Company´s outstanding indebtedness has not been classified according to its original maturities (criteria used in the presentation of financial statements as of March 31, 2003). A substantial portion of its indebtedness has been re-classified as current loans in TGS balance sheets as of June 30, 2003 and December 31, 2002 since, deriving from the financial agreements entered between TGS and its creditors, such obligations might become claimable.

Detailed information of TGS´s debt profile as of June 30, 2003 December 31, 2002 is as follows:

	June 30, 2003	**December 31, 2002**
Current Loans:		
Inter-American Development Bank ("IDB") Loans due through 2011 (interest rates between 5.15% and 10.19%)	969,717	1,106,750
1999 Global Program: Series 1 Floating rate notes due 2003, current interest rate of 4.4%	434,094	509,549
1999 Global Program: Series 2 Floating rate notes due 2003, current interest rate of 10.38%	429,320	520,395
2000 Global Program: Series 1 Floating rate notes due 2006, current interest rate of 3.33%	575,920	687,098
1993 Global Program: Series 3 Floating rate notes due 2002, current interest rate of 3.41%	282,669	339,912
Leases (rates from 7.65% and 9.00%)	2,097	1,668
Other bank borrowings (average rate of 7.37%)	292,744	371,462
Total current loans	2,986,561	3,536,834
Non-current loans:		
Leases (rates from 7,65% and 9,00%), due through 2008	8,529	2,445
Total non-current loans	8,529	2,445
Total loans	2,995,090	3,539,279

Detailed information on significant debt as of June 30, 2003, 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 approved by the Bolsa de Comercio de Buenos Aires ("BCBA") and the CNV.

  The outstanding Series 3 Notes under this Global Program as of June 30, 2003 consists of five-year registered notes 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 authorized for trading in the BCBA. Net proceeds from the placement were used to debt refinancing, to finance capital expenditures and working capital needs. The original maturity of debt principal was scheduled for December 18, 2002. As agreed between the Company and its creditors, the maturity date was extended until March 18, 2003 at a 3.41% cost per annum. At such date, the Company paid accrued interest while the principal due under the agreement was included in the Restructuring Proposal, as described below.

  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. The CNV, the BCBA and the Luxembourg Stock Exchange have authorized this program. The outstanding notes under this Global Program as of December 31, 2002, consists of the following:

  Series 1: 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 bore 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. Net proceeds from this transaction were applied to refinance the issuance under the 1997 Global Program, created in February 1997 for a term of 36 months and whose last issuance was cancelled on March 27, 2000. At maturity date, the Company paid accrued interest while the principal due under the agreement was included in the Restructuring Proposal, as described below.

  Series 2: 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 bore interest at an annual fixed rate of 10.38%, payable semi-annually. The Luxembourg Stock Exchange, BCBA and Mercado Abierto Electrónico 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. In April 15, 2003, the date of the maturity of the notes, the Company paid accrued interest, while the principal due under the agreement was included in the Restructuring Proposal, as described below.

  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. The CNV, the BCBA and the Luxembourg Stock Exchange have authorized this program.
  The outstanding notes under this Global Program as of June 30, 2003, 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 would be paid in five equal semi-annual 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 asset of the Class "A" and "B" notes issued by such trust. Class "A" notes are covered through insurance provided by "Overseas Private Investment Corporation" ("OPIC"), that covers risk of non- convertibility of local currency, transfer

restrictions imposed by the government and expropriation. Proceeds from this transaction would 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. The Company paid interest accrued until April 24, 2003 while the principal due under the agreement was included in the Restructuring Proposal, as described below.

- <u>IDB loans</u>:

In the first half of 1999, TGS collected funds from the IDB loan agreement, which total US$ 226 million. The loan matures in 12 years, with a five-year grace period that 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 totaling US$ 176 million which was raised through a private placement to foreign investors. IDB is the lender of record and administrator for both "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). Proceeds from the transaction were utilized in 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 loan matures in 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%. Proceeds from the transaction were utilized in 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.

The Company did not pay accrued interest due on May 15, 2003. Both interests and principal payments were included in the Restructuring Proposal, as described below.

- <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% annually depending on the credit line. As of June 30, 2003 and December 31, 2002 the current principal outstanding amounted to Ps. 22,044 and Ps. 27,880, respectively.

The Company included unpaid principal and interests payments in the Restructuring Proposal, as described below.

- <u>Covenants</u>:

Original debt agreements contained restrictive covenants which, as a result of the devaluation of the argentine peso, have been breached and were proposed to be amended in the global restructuring proposal mentioned below.

Main restrictions are as follows:

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.

- <u>TGS' s global debt restructuring proposal</u>

On February 24, 2003 TGS started a process aimed at restructuring substantially all of its outstanding indebtedness, amounting to US$ 1,027 million. The Restructuring Proposal is a consequence of the negative impact on TGS's financial condition and result of operations caused by the significant changes introduced in the Argentine economy in early 2002. Such changes have jeopardized its ability to generate cash required to service and pay its outstanding debt obligations on its original maturities, including the US$ 492 million due in 2003.

The primary goals of the Restructuring Proposal are to eliminate the concentration of maturities over the short term, to amend certain covenants of the existing obligations, which have been breached as a consequence of the negative impact of the economic changes in the Company's financial statements, and to adjust the interest rate and amortization schedule to align TGS´s debt service to its expected future operating cash flow.

The Restructuring Proposal, announced on February 24, 2003 supplemented and amended on March 25, 2003, would be implemented by means of an out-of-court renegotiation agreement, or "Acuerdo Preventivo Extrajudicial" ("APE"), a new feature introduced by the Argentine law, which essentially requires an agreement between the Company and the majority of its creditors (two thirds of the amount) to be endorsed by a court.

Pursuant to the Restructuring Proposal, the Company called to a Note holders' meeting held (on second call) on April 11, 2003 at which the company sought the approval of the Restructuring Proposal, which in aggregate represented approximately US$ 600 million of TGS´s debt. The Restructuring Proposal presented by the Company was consented to by holders of notes representing the following amounts: (i) US$ 73 million at the meeting of the Series 1 Notes under the 1999 Global Program, the outstanding principal amount of which is US$ 150 million, (ii) US$ 81 million at the meeting of the Series 2 Notes, the outstanding principal amount of which is US$ 150 million and (iii) US$ 65 million at the meeting of the Series 3 Notes, the outstanding principal amount of which is US$ 100 million. However, the meeting in respect to the OPIC Note, the outstanding principal amount of which is US$ 200 million, was not held due to the lack of quorum.

Despite the consent received at the Note holders Meeting, the Company failed to achieve the requisite majorities as required by Argentine Law to file the APE for endorsement. Therefore, on May 14, 2003 TGS decided to withdraw the Restructuring Proposal and simultaneously announced the postponment of interest payments. As a result of the withdrawal of the proposal, the Company has reclassified its outstanding debt obligations as current loans in its balance sheets as June 30, 2003 and December 31, 2002. Additionally, the withdrawal of the proposal resulted in an accrual of default interest derived from TGS´s breach of the financial agreements entered with its creditors. As such default interests require a formal demand from the creditor to be due and payable -demand which has not been made- and considering that the restructuring proposal specifically contained clauses for the waiver of such interests, TGS Management considered the claim of default interests as a remote contingent liability and consequently they were not included in the Company´s financial statements presented for the fiscal year ended on December 31, 2002 nor for the three-month period ended March 31, 2003. However, in light of the withdrawal of the restructuring proposal, the Company has recorded the mentioned interests in the present financial statements, which amount to Ps 8,1 million for the fiscal year ended as of December 31, 2002.

At the date of the issuance of the present financial statements, the Company is still negotiating with its major creditors to obtain the restructuring of its indebtedness and align TGS debt service to its expected operating cash flow.

- Derivative financial instruments:

  As of June 30, 2003, the Company has outstanding interest rate cap agreements with major financial institutions to manage the impact of the floating interest rate changes on the US$ 200 million first issuance under 2000 Global Program.

  In July 2001, the Company entered into interest rate cap with knock-out agreements associated with the first issuance under the 2000 Global Program, through which the Company set the 3-month LIBOR at an annual cost of 5.25%, in case the level of such rate fluctuates between 525% and 8% annually. However, in the event LIBOR at the beginning of any interest period is equal or greater than 8%, the Company will pay LIBOR for such interest period. These agreements have an aggregate notional amount of US$ 200 million and mature on April 24, 2006. Amortization of the above-mentioned issuance is in five semi-annual installments starting April 24, 2004 and matches the amortization schedule of these agreements. Premiums paid by the Company amounted to US$ 2.9 million. Based on the current and future level of LIBOR, and based on the Company's estimates, the derivative can not longer qualify as effective to cover the associated risk and consequently the difference between its amortized cost and its fair value (included in "Other Current Receivables") was included in the results of the six-month period ended June 30, 2003.

  In 1998, the Company entered into two treasury interest rate lock agreements with a notional amount of US$ 200 million associated with the IDB loan, pursuant to which the Company locked in the rate on the US Treasury Bond at a cost between 5.66% and 5.89%. The Company settled one of the agreements in February 1999 for an amount of US$ 100 million and the other for US$ 100 million in two installments in March and April 1999. In settlement of these agreements, the Company made payments totaling US$ 11 million in March and April 1999. The settlement cost of these agreements was recorded as intangible assets in the accompanying consolidated balance sheets and is being amortized over the term of the loan agreement.

7. REGULATORY FRAMEWORK

a) General:

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, approved the postponement and further recovery of PPI adjustment corresponding to the first semester of the year 2000. In August 2000, the Executive Power issued Decree N° 669/00, which established that the revenues accrued during the first half of 2000 related to the application of the PPI adjustment mentioned above, would be billed, through a tariff increase, over a twelve-month period starting July 1, 2000. In addition, such decree determined the deferral of any PPI adjustment from July 1, 2000, until June 30, 2002. In late August 2000, Administrative Contentious Federal Trial Court N°8 sustained a precautionary measure requested by the Ombudsman and ordered the suspension of Decree N°669/00, on the grounds that the application of the PPI adjustment contradicted Law N° 23,928 of Convertibility. This measure was subsequently appealed by the Federal Executive Power, ENARGAS and most licensees companies. In October 2001, the Chamber of Appeals sustained this preventive measure, until judgment on the matter is pronounced. TGS filed an extraordinary appeal before the Supreme Court of Justice ("SCJ") aiming at the revoking of such preventive measure.

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 already rendered services not being necessary, therefore, the rendering of future services to its 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 the Public Emergency 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. Consequently, the Company recorded during 2001 a loss of Ps. 126,705 corresponding to the effect of the net revenue accrued in 2001 and 2000, regarding the deferral of adjustments based on the PPI in the caption "Other expenses, net", which 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 had 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.

On February 12, 2002 the Federal Executive Power issued Decree N 293 which entrusts the Ministry of Economy the renegotiations of the contracts with public service companies and sets up a Committee for the Renegotiations of Public Services and Works Contracts (the "Renegotiations Committee"). Through Decree N° 370 dated February 22, 2002 the members of this organism were appointed, which include consumer's representatives. This Committee will advise and assist the Ministry of Economy, who will have to present a renegotiations proposal or recommend license rescission to the Executive Power, which will afterwards be submitted to Congress.

On March 21, 2002, the Renegotiations Committee delivered to gas transportation and distribution companies the guideline -approved by the Ministry of Economy- to be followed during the renegotiation process. In April 2002, TGS submitted to such Committee the information requested in the guidelines, mentioning the rights to which the Company and its shareholders are entitled. In early August 2002, the Renegotiations Committee asked the licensees to submit their respective request for tariff increase. TGS replied with a request for a Public Hearing to discuss this matter, as provided in the License.

The Ombudsman filed a precautionary measure against the Public Hearing summoned by the Renegotiations Committee to discuss tariff adjustments requested by public services licensees, including gas companies, on the grounds that such Committee is not entitled to determine tariff adjustments. Against such measure, TGS requested ENARGAS, an increase to its gas transportation tariffs as stipulated by Article 46 of the Natural Gas Act due to the existence of justified and objective circumstances that negatively affect the Company's financial condition.

To deal with those claims, the Argentine Government, through Resolution N° 487 issued by the Ministry of Economy, authorized the ENARGAS to carry out the process described in Article 46 of the Natural Gas Act regarding the tariff adjustment, requested by gas transportation and distribution companies. According to such resolution the process is followed to preserve the rendering of public utility services, following the renegotiations process that has been conducted. However, the public hearing was suspended by a Court resolution based on the Judges understanding that such a process will be against the Public Emergency Law, which does not allow for emergency, temporal or partial tariff adjustments. Subsequently, The National Government issued a Decree authorizing tariff increases, which was also suspended by a Court decision base on the same judgment. Consequently, the Executive Branch issued Decree N° 120/03 for a further understanding of the Public Emergency Law allowing immediate and partial increases to regulated tariffs as an advance to the future License renegotiations. In January 2003, the Executive Branch issued Decree N°

146/03, authorizing a 10% tariff increase for TGS, effective January 30, 2003. Subsequently, consumer's organizations filed a number of complaints against such increases, which were admitted by Court.

In July 2003 the Executive Branch of the new administration - which came to office in late May 2003- issued Decree N° 311/03, by means of which the Unit for Renegotiation and Asessment of Utilities Contracts is created in replacement of the Renegotiation Commission. This new unit will conduct the renegotiation process and is entitled to reach total or partial agreements with the licensees, subject to the endorsement of the Federal Executive Branch. Additionally, this unit will be entitled to submit projects to regulate transitory tariff adjustments and amendments to license contractual clauses.

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. COMMON STOCK AND DIVIDENDS

a) General

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

As of June 30, 2003 the Company's common stock subscribed, paid in and issued is composed of:

Classes of stock

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

Class "A" shares	405,192,594
Class "B" shares	389,302,689
Total shares	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 common 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 common stock). The Bid Package states that approval of ENARGAS will be granted, provided that:

- The sale covers 51% of common stock or, if the proposed transaction is not a sale, the act that reduces 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) 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 common 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.

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 as a reimbursement for the cost of construction of two compressor plants currently in operation on the TGS pipeline. TGS has denied such claim on the grounds that it owes no money to GdE as it acquired rights to these compressor plants as a 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, net", valued at Ps. 4.3 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 appeal 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 arbitrary. 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 accordance to which it is responsible during the 5 year period ending on December 31, 1997, for the registering of the easements relating to the transferred pipeline system which have not yet 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 landowners 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 specified 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 would allow the reimbursement of the useful expenses, as determined by the Government, derived from easements. The amounts for such concept as of June 30, 2003, recorded in the account "Other non-current receivables" amounts to approximately Ps. 4.2 million. 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 in this connection.

c) The Company received claims from the Tax Bureau of the Neuquén, Río Negro, La Pampa, Chubut 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 prevent any Río Negro Province's action attempting to collect the mentioned tax, until the SCJ granted the injunction. 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, which 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 (including accrued interest as of August 31, 2001). Against such resolutions, the Company has filed appeals before such Tax Bureau, who rejected the appeal for the Transfer Agreement. Consequently, the Company has filed an appeal 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 Neuquén 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 injunction requested and ordered the Neuquén 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 La Pampa province in July 2002, the Tax Bureau of such province formalized the claim through a liability assessment, for approximately Ps. 68 million (including penalties and interests as of July 31, 2002). Such determination has been appealed before such Bureau at the beginning of August 2002. At the date of the issuance of these consolidated financial statements no answer has been received to this appeal. In late August 2002, TGS filed a declaratory action of certainty before the SCJ. In November 2002, the SCJ granted the injunction requested and ordered the La Pampa Province to avoid any action tending to collect the mentioned tax, until that court arrives to a final decision on the matter.

In May 2002, the Tax Bureau of the province of Chubut filed administrative actions in order to determine a stamp tax debt for contracts and gas transportation offers amounting to Ps. 5.4 millions (together with its respective fines and interests calculated at April 30, 2002). TGS made the respective discharge in July 2002 refuting the basis of such proceedings, and not receiving at the date of issuance of these consolidated financial statements any reply from such Bureau. By the end of October 2002, TGS filed before SCJ a declarative action of certainty, so that it can be expedited on the legitimacy of the claim for such tax. In April 2003, the SCJ did not grant the injunction requested and consequently TGS asked such Supreme Court for the revocation of such petition through the filing of a reposition action. In June 2003, the Supreme Court modified its first judgement, granting the injunction.

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 into the jurisdiction of the city of Buenos Aires and took effects there instead of the Neuquén Province or any other province.

With 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 the relevant regulations. ENARGAS believes that the claims for stamp tax lack of merit because it considers the tax to be 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 challenge all claims and that liability will not have a material adverse effect on the Company's consolidated financial position or results of operations.

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 parties as of June 30, 2003 and December 31, 2002 is as follows:

	June 30, 2003		**December 31, 2002**	
Company	**Accounts receivable**	**Accounts payable**	**Accounts receivable**	**Accounts payable**
EPCA	39	2.500	-	4.023
Petrobras Energía	2.871	11	8.066	10.469
Petrobrás	17.874	-	22.832	-
LINK	148	4	264	4
Isonil	225	-	-	-
Enron América del Sur S.A.	-	-	32	-
Area Santa Cruz II U.T.E. (1)	125	-	366	-
Total 2003	21,282	2,515	31,560	14,496

(1) As of June 30, 2003, Petrobras Energía had 100% of this joint venture.

The detail of significant transactions with related companies for the years ended June 30, 2003 and 2002 is as follows:

	Revenues				
Company	Gas Transportation	NGL production and commercialization and other services	Salaries and Wages	Compensation for technical assistance	Revenue For administrative Services
EPCA	-	-	389	15.659	42
Pecom Energía	12.816	23.615	-	-	-
Petrobrás	-	129.288	-	-	-
LINK	-	405	-	-	-
Isonil	-	355	-	-	-
Enron América del Sur S.A.	18	-	-	-	-
Area Santa Cruz II U.T.E. (1)	-	778	-	-	-
Total 2003	12,834	154,441	389	15,659	42
Total 2002	33,237	39,373	1,203	18,644	51

(1) As of June 30, 2003, Petrobras Energía had 100% of this joint venture.

11. SUBSIDIARIES AND AFFILIATES

TELCOSUR:

In September 1998, TGS's Board of Directors approved the creation of TELCOSUR, whose purpose is the rendering of telecommunication services, assuring the optimal utilization of TGS's telecommunication system. TGS's equity 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 incorporation 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 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 DINAREL S.A holds the remainder 51%. The common stock amounts to Ps. 12.

ISONIL:

In September 2002 TGS invested Ps. 5 in the acquisition of a 49% equity interest in Isonil, a company incorporated in Uruguay. The company's corporate purpose will be the rendering of services of operation, inspection, and dealing of emergencies in gas transportation or distribution systems, as well as the construction of pipelines and other services related to natural gas and its associated products. Isonil will render services to Cruz del Sur Pipeline S.A.

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

EXHIBIT A

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

PROPERTY, PLANT AND EQUIPMENT , NET

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

	2003												2002
	Original Cost					Depreciations							
									Expenses for the period				
Main Account	Beginning of year	Additions	Retirements	Transfers	End of period	Accumulated at the beginning of year	Retirements	Transfers	Amount	Rate %	Accumulated at the end of period	Net book value	Net book value
Pipelines	3,179,319	-	-	614	3,179,933	413,734	-	-	38,220	(1) 2,2	451,954	2,727,979	2,752,687
Compressor plants	1,006,327	-	-	4,219	1,010,546	238,769	-	-	18,508	(1) 3,3 a 25	257,277	753,269	764,280
Other industrial plants	85	-	-	-	85	10	-	-	2	(1) 3,3	12	73	70
Stations of regulation and/or measurement of pressure	107,397	-	-	69	107,466	25,517	-	-	2,112	(1) 4	27,629	79,837	75,769
Other technical installations	16,324	-	-	1	16,325	5,453	-	-	739	(1) 6,7	6,192	10,133	12,819
Subtotal assets related to the gas transportation service	4,309,452	-	-	4,903	4,314,355	683,483	-	-	59,581		743,064	3,571,291	3,605,625
Assets related to gas upstream service	115,260	-	-	-	115,260	32,662	-	-	3,895	2,2 a 25	36,557	78,703	98,555
Assets related to NGL production and commercialization service	442,813	-	-	875	443,688	162,778	-	-	10,994	(1) 5,9	173,772	269,916	314,144
Lands	5,642	-	-	-	5,642	-	-	-	-	-	-	5,642	6,315
Buildings and civil constructions	130,062	-	-	-	130,062	29,305	-	-	1,691	2.0	30,996	99,066	93,459
Installations in buildings	4,645	-	-	-	4,645	1,000	-	-	108	4.0	1,108	3,537	3,610
Machinery, equipment and tools	28,722	27	-	26	28,775	17,643	-	-	1,024	6,7 a 20	18,667	10,108	11,539
Computers and Telecommunication systems	214,819	520	-	475	215,814	92,242	-	-	8,425	6,7 y 20	100,667	115,147	129,247
Vehicles	12,704	184	-	-	12,888	9,678	-	-	543	10 y 20	10,221	2,667	3,023
Furniture	12,520	-	-	-	12,520	10,441	-	-	86	10	10,527	1,993	620
Exchange loss capitalization (1)	588,389	-	(2) 436,949	-	151,440	23,613	(3) 16,451	-	3,584	(1) 3,9	10,746	140,694	1,499,209
Materials	113,533	3,041	9,935	(591)	106,048	259	-	-	-	-	259	105,789	90,621
Line pack	13,679	-	-	-	13,679	1,614	-	-	-	-	1,614	12,065	12,065
Work in progress	28,116	14,510	4,267	(5,688)	32,671	-	-	-	-	-	-	32,671	95,056
Advances to suppliers of property, plant and equipment	4,940	(1,950) (4)	36	-	2,954	-	-	-	-	-	-	2,954	10,793
Total 2003	6,025,296	16,332	451,187	-	5,590,441	1,064,718	16,451	-	89,931		1,138,198	4,452,243	
Total 2002	5,406,512	1,589,518	9,223	-	6,986,807	895,935	29	-	117,020		1,012,926		5,973,881

(1) See Note 3.g).
(2) 4,322 corresponding to Inflation Adjustment applied to balance at the begining of the fiscal year and 432,627 corresponds to the decrease in the exchange rate from Ps. 3.37 at the begining of the year to Ps. 2.80 at the end of the period.
(3) 173 corresponding to Inflation Adjustment applied to balance at the begining of the fiscal year and 16,278 corresponding to the decrease in the exchange rate from Ps. 3.37 at the begining of the year to Ps. 2.80 at the end of the period.
(4) Corresponds to inflation adjustment applied to balance at the begining of the fiscal year.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

EXHIBIT B

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

INTANGIBLE ASSETS, NET

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

	2003											2002
	Original cost				Amortizations							
							Expenses for the period					
Deferred charges	Beginning of year	Additions	Decreases	End of period	Accumulated at beginning of year	Decreases	Amount	Rate %	Acummulated 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)	70,540	-	3,566	66,974	39,564	3,566	5,163 (3)	(4)	41,161	25,813		36,495
Settlement costs of hedges of anticipated transactions (2)	50,101	-	25,726	24,375	31,461	22,241	2,685 (5)	(4)	11,905	12,470		22,284
Global Programs and notes issuances costs	55,517	5,701	31,719	29,499	39,511	31,719	3,477 (5)	(4)	11,269	18,230		17,022
Total 2003	176,158	5,701	61,011	120,848	110,536	57,526	11,325		64,335	56,513		
Total 2002	172,336	12	-	172,348	82,793	-	13,754		96,547			75,801

(1) Includes the cost of the Voluntary Retirement Program of 1993, accepted by 463 employees, for approximately 26,647.
(2) See Note 6.
(3) Included in "Operating costs". See Exhibit H.
(4) See Note 3.h)
(5) Included in "Net financial expenses". See Exhibit H.

Rafael Fernández Morandé
President

Exhibit C

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND AS OF DECEMBER 31, 2002

NON CURRENT INVESTMENTS

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

	2003										2002
	Description of securities				Issuer information						
						Last financial statements issued					
Name and issuer	Face value	Amount	Cost	Book value	Main business	Date	Common stock	Net income for the period	Shareholder's equity	% of Common Stock	Book value
Government bonds (1)	-	-	-	-	-	-	-	-	-	-	2,640
Gas Link S.A.	$1	5,880	3,315	273 (3)	Pipeline´s construction and operating services	31-03-03	6.113 (2)	4,145	12,393	49.00	(3,696)
Isonil S.A.	Ps. Uru. 1	196,000	5	291 (4)	Maintenance	30-06-03	28	414	566	49.00	102
				564							(954)

(1) Corresponds to Argentine Government Foreign Notes - Survey Rates Serie 74.
(2) Organized with a capital stock amounting to 26. It includes irrevocable contributions for 6,087 against future shares issuance (See Note 11).
(3) According to financial statements at March 31, 2003. It also includes irrevocable contributions made by TGS in May and June 2003 amounting to 392.
(4) Corresponds toTGS' shareholding percentage on balance sheet accounts and temporary differences arising from the conversion of the non consolidated subsidiary's balance sheet as of June 30, 2003.

Rafael Fernández Morandé
President

EXHIBIT D

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2003 AND AS OF DECEMBER 31, 2002

CURRENT INVESTMENTS

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

	2003	2002
CURRENT INVESTMENTS		
Government bonds in local currency	96	95
Government bonds in foreign currency (1)	7,450	4,425
Mutual funds in local currency	15,006	-
Bank account paid in local currency	1,000	-
Bank account paid in foreign currency	-	6,588
Mutual funds in foreign currency	337,443	191,586
Total current investments	360,995	202,694

(1) Corresponds to Argentine Government Foreign Notes - Survey Rate Series 74 for US$ 8 million plus interests accrued net of valuation allowance amounting to 14,419

Rafael Fernández Morandé
President

EXHIBIT E

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2003 AND 2002

ALLOWANCES

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

Main account		Beginning of year	Adjusted for inflation	Additions	Decreases	End of period
Deducted from assets						
Allowance for write down of government bonds	2003	27,019	(198)	-	(12,402)	14,419
	2002	-	-	-	-	-
Allowance for doubtful account	2003	5,477	(40)	1,081	(4,976)	1,542
	2002	3,159	(1,544)	-	-	1,615
Allowance for Carryforwards irretrievable	2003	545,662	(4,008)	-	(207,536)	334,118
	2002	-	-	-	-	-
Included in liabilities						
Provision for contingencies (1)	2003	10,074	(74)	6,000	(14)	15,986
	2002	745	(364)	-	(12)	369

(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 SIX-MONTH PERIODS
ENDED JUNE 30, 2003 AND 2002

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

	2003	2002
Inventories at the begining of year	6,771	6,366
Inflation adjustment	(50)	(3,112)
Natural gas purchases (1)	62,728	28,337
Operating costs (Exhibit H)	159,238	185,822
Inventories at the end of period (1)	(5,047)	(2,350)
Cost of sales	223,640	215,063

(1) Includes natural gas used in the NGL production.

Rafael Fernández Morandé
President

EXHIBIT G

TRANSPORTADORA DE GAS DEL SUR S.A. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF
JUNE 30, 2003 AND AS OF DECEMBER 31, 2002

FOREIGN CURRENCY ASSETS AND LIABILITIES

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

	2003				2002		
	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 and deposits in banks	US$	1,069	2.70 (1)	2,886	US$	180	593
Investments	US$	127,738	2.70 (1)	344,893	US$	61,502	202,599
Trade receivables	US$	12,895	2.70 (1)	34,817	US$	11,802	38,879
Other receivables	US$	1,932	2.70 (1)	5,216	US$	67	221
				387,812			242,292
NON CURRENT ASSETS							
Trade receivables	US$	10,359	2.70 (1)	27,968	US$	13,301	43,817
Other receivables	US$	33	2.70 (1)	89	-	-	-
Investments	-	-		-	US$	801	2,640
				28,057			46,457
				415,869			288,749
CURRENT LIABILITIES							
Accounts payable	US$	6,998	2.80 (2)	19,594	US$	6,253	21,229
	XEU	35	3.21 (2)	112	XEU	1	4
Loans	US$	1,056,362	2.80 (2)	2,957,814	US$	1,033,153	3,507,491
Other liabilities		225	2.80 (2)	630	US$	225	764
				2,978,150			3,529,488
NON CURRENT LIABILITIES							
Accounts payable	US$	77	2.80 (2)	217	US$	2,107	7,155
Loans	US$	2,918	2.80 (2)	8,170	-	-	-
				8,387			7,155
				2,986,537			3,536,643

(1) Buying exchange rate as of June 30, 2003.
(2) Selling exchange rate as of June 30, 2003.

US$: United States of America dollars
XEU: Euros

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A AND SUBSIDIARY.

Exhibit H

INFORMATION REQUIRED UNDER ART 64, PARAGRAPH I, CLAUSE b) BUSINESS ASSOCIATIONS LAW,
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2003 AND 2002

Expressed in thousands of Argentine pesos as described in Note 3.a.

	2003					2002
Accounts	Total	Operating costs	Administrative expenses	Selling expenses	Financial expenses	Total
Salaries, wages and other contributions	19,793	14,173	4,288	1,332	-	21,950
Social security taxes	3,939	2,662	1,020	257	-	4,185
Compensation to Directors and Statutory Audit Committee	94	-	94	-	-	143
Professional services fees	2,506	106	2,221	179	-	2,487
Technical operator assistance fees	15,659	15,659	-	-	-	18,769
Materials	1,431	1,431	-	-	-	1,473
Third parties services	1,378	1,097	281	-	-	1,738
Telecommunications and post expenses	712	218	460	34	-	1,134
Rents	177	57	118	2	-	476
Transports and Freight	693	597	95	1	-	612
Easements	1,623	1,623	-	-	-	2,879
Offices supplies	204	52	151	1	-	294
Travels	316	156	93	67	-	317
Insurance	6,438	5,689	749	-	-	4,128
Property, plant and equipment maintenance	7,066	6,892	157	17	-	13,545
Depreciation of property, plant and equipment	89,931	86,567	3,364	-	-	117,020
Amortization of intangible assets	11,325	5,163	-	-	6,162	13,754
Taxes and contributions	16,468	3,153	16	13,299	-	17,564
Advertising	51	-	-	51	-	20
Allowance for doubtful account	1,081	-	-	1,081	-	-
Banks expenses	105	-	95	10	-	96
Interests expenses	112,817	-	-	-	112,817	126,821
Foreign exchange loss, net of inflation	(184,578)	-	-	-	(184,578)	681,599
Other financial expenses	13,854	-	-	-	13,854	13,207
Loss on exposure to inflation	(1,483)	-	-	-	(1,483)	(74,975)
Other expenses	14,523	13,943	474	106	-	4,929
Total 2003	136,123	159,238	13,676	16,437	(53,228)	
Total 2002		185,822	17,397	16,060	754,886	974,165

Rafael Fernández Morandé
President

EXHIBIT I

TRANSPORTADORA DE GAS DEL SUR S.A.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2003

DETAIL OF MATURITIES OF INVESTMENTS, RECEIVABLES AND LIABILITIES

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

	Investments (1)	Receivables (2)	Debt (3)	Other liabilities (4)
Without specified maturity	-	157,174	-	4,290
With specified maturity				
* Past due				
Until 06-30-02	-	1,562	-	-
From 07-1-02 to 09-30-02	-	-	-	-
From 10-1-02 to 12-31-02	-	52	-	-
From 01-1-03 to 03-31-03	-	71	-	-
From 04-1-03 to 06-30-03	-	6,251	2,956,195	-
Total past due	-	7,936	2,956,195	-
* Non-due:				
From 07-1-03 to 09-30-03	359,214	107,426	28,655	87,528
From 10-1-03 to 12-31-03	5,400	6,329	536	5,308
From 01-1-04 to 03-31-04	5,400	4,244	525	4,248
From 04-1-04 to 06-30-04	5,400	3,403	650	-
During 2004 (rest of the year)	-	5,589	1,377	-
During 2005	-	9,612	2,474	184
During 2006	-	2,221	2,122	33
During 2007	-	1,995	1,942	-
During 2008	-	1,792	614	-
From 2009 onwards	-	7,047	-	-
Total non-due	375,414	149,658	38,895	97,301
Total with specific maturity	375,414	157,594	2,995,090	97,301
Total	375,414	314,768	2,995,090	101,591

(1) Includes mutual funds, government bonds and bank accounts, except for valuation allowance for government bonds
Such investments bear interest at floating rates.

(2) Includes trade receivables and other receivables, without the allowance for doubtful accounts. Said credits do not bear interests, except for 20,317which bear interests at 5.52% semi annually rate.
From the total credits without specific maturity, 25,889 correspond to current assets and 131,285 to non current assets.

(3) Corresponds to financial loans reached by the global restructuring process. The resulting interest rates will be defined from that process.

(4) Corresponds to the total non financial liabilities, except for provisions for contingencies. Said liabilities do not bear interests, except for 312 which bear interests at an 8.5 % annual rate.
Other liabilities without specified maturity correspod to current liabilities.

Rafael Fernández Morandé
President

LIMITED REVIEW REPORT

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

1. We have carried out a limited review of the consolidated balance sheet of Transportadora de Gas del Sur S.A. at June 30, 2003, and of the related consolidated statements of operations and cash flows for the six-month periods ended on June 30, 2003 and 2002, and the consolidated statement of changes in shareholders' equity for the six-month period ended on June 30, 2003, and the complementary notes and exhibits. The preparation and issuance of these consolidated financial statements are the responsibility of the Company's management.

2. Our reviews were limited to the application of the procedures established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences for limited reviews of interim financial statements which consist mainly of the application of analytical procedures to the amounts disclosed in the financial statements and inquiries made 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.

3. As mentioned in Note 3, as from the current period the Company applied accounting valuation and disclosure standards approved by the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires and the National Securities Commission, which has implied the recognition of prior years' adjustments, reclassifications and adaptation of the comparative information.

4. The Company has prepared the consolidated financial statements applying valuation and disclosure criteria established by the National Securities Commission which, as explained in Notes 3.a) and 3.f) differ in certain respects with the accounting standards in effect in the Autonomous City of Buenos Aires, especially in connection with the treatment of assets and liabilities generated by application of the deferred tax method and recognition of the effects of inflation at June 30, 2003. The effect on the consolidated financial statements derived from application of inflation rates at that date has been quantified by the Company and is shown in a note to these consolidated financial statements.

5. The changes in Argentine economic conditions and the amendments to the License under which the Company operates made by the National Government mentioned in Note 2., mainly the suspension of the original tariff adjustment regime, affect the Company's economic and financial equation, generating uncertainty as to the future development of the regulated business. Management is renegotiating certain terms of its License with the National Government to counteract the negative impact caused by the mentioned circumstances.

6. As explained in Note 6., the effects of the devaluation of the Argentine peso on the Company's financial debt in foreign currency and the circumstances mentioned in point 5. have resulted in non-compliance with: i) certain covenants that the Company had agreed to observe in connection with certain financial liabilities, and ii) payment of principal and interest on certain financial obligations. The mentioned events of default entitle the financial creditors, after obtaining certain majorities, to demand immediate payment of all outstanding balances as if those obligations were past due and claimable. Management is carrying out negotiations with its main creditors to restructure its financial debt, so as to realign its cash requirements and other clauses derived from its financial commitments to the new political, economic and regulatory context in which it operates.

7. Management has prepared projections to determine the recoverable value of its non-current assets, based on forecasts of the outcome of the renegotiation process mentioned in points 5 and 6. We are not in a position to anticipate whether the premises used by management to prepare the projections will take place in the future and consequently whether the recoverable value of certain non-current assets exceeds their respective net book values.

8. The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The uncertainties mentioned in the above paragraphs raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments or reclassifications that might result from the outcome of these uncertainties.

9. Our professional report on the consolidated financial statements of the Company at December 31, 2002 contained a qualification due to the departure from professional accounting standards as a result of the classification of the financial debt in default mentioned in point 6. under non-current liabilities according to its original maturity. As mentioned in Note 6. during the current period the Company reclassified that debt to current liabilities, and adjusted the balances at December 31, 2002, which are shown for comparative purposes.

10. Based on the work done and on our examination of the consolidated financial statements of the Company for the years ended on December 31, 2002 and 2001, on which we issued our report dated February 7, 2003, containing an exception due to the departure from professional accounting standards which, as explained in point 9 above, has been resolved during the current period and, subject to the effect on the consolidated financial statements of possible adjustments and reclassifications that might be required as a result of the resolution of the situations described in points 5., 6., 7. and 8. of this report, considering the events occurred until that date, we report that the consolidated financial statements of Transportadora de Gas del Sur S.A. at June 30, 2003 and 2002 prepared in conformity with accounting standards in effect in the Autonomous City of Buenos Aires, consider all significant facts and circumstances of which we have become aware, regarding which we have no comments to make other than those mentioned in points 3. to 8.

11. The accompanying consolidated financial statements are presented on the basis of accounting principles generally accepted in Argentina, which differ from the accounting principles generally accepted in other countries, including the United States of America.

Autonomous City of Buenos Aires, August 7, 2003.

PRICE WATERHOUSE & CO.

by (Partner)