Financial statements and Summary of Events
as of March 31st, 2005 and 2004
together with Auditor's report

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2005 ("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 interim financial statements as of March 31, 2005 and 2004, which have been prepared in accordance with generally accepted accounting principles in force in the Autonomous City of Buenos Aires ("Argentine GAAP"), (except for what is mentioned in notes 2.b and g. to the consolidated financial statements), and the regulations of the Comisión Nacional de Valores (the Argentine National Securities and Exchange Commission, "CNV") and the Ente Nacional Regulador del Gas (National Gas Regulatory Agency in Argentina, "ENARGAS").

The Company's consolidated interim financial statements for the three-month periods ended March 31, 2005, 2004, 2003 and 2002 have been subjected to limited reviews performed by Price Waterhouse & Co S.R.L., Buenos Aires, Argentina ("Price"), independent auditors. With respect to the period ended March 31, 2001, the Company's consolidated interim financial statements have been subjected to limited reviews performed by Pistrelli Díaz y Asociados, Member Firm of Arthur Andersen, independent auditors.

1- Basis of Presentation of Financial Information

Effects of inflation:

The consolidated financial statements have been prepared in constant Argentine pesos, 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. However, as a result of high inflation rates since early 2002 - and as established by Resolution No. 3/2002 of the Professional Council in Economic Sciences of the Autonomous City of Buenos Aires ("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 consolidated financial statements, following the provisions of Technical Resolution ("TR") No. 6, as amended by TR No. 19, both issued by the Argentine Federation of Professional Councils in Economic Sciences ("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 Argentine Executive Branch ("Executive Branch") issued Decree No. 664, which provides that financial statements for periods ending after such date shall be stated in historical Argentine pesos. As a consequence and in accordance with Resolution No. 441, issued by the CNV, the Company suspended inflation accounting effective March 1, 2003. This criterion is not in line with effective accounting standards, which stipulate that financial statements should be restated as of September 30, 2003.

(1) Not covered by the Auditor´s Report nor by the Limited Reviewed Report of Independent Public Accountants except for items 4, 5 and 7.

2. Results of Operations

The following table presents a summary of the results of operations for the three-month periods ended March 31, 2005 and 2004:

	2005	2004	Variation
	(In millions of pesos)		
Net revenues	**231.5**	**245.1**	**(13.6)**
Gas transportation	109.5	106.0	3.5
NGL production and commercialization	107.6	129.8	(22.2)
Other services	14.4	9.3	5.1
Costs of sales	**(112.2)**	**(113.4)**	**1.2**
Operating costs	(64.4)	(66.9)	2.5
Depreciation and amortization	(47.8)	(46.5)	(1.3)
Gross profit	**119.3**	**131.7**	**(12.4)**
Administrative and selling expenses	(19.4)	(14.8)	(4.6)
Operating income	**99.9**	**116.9**	**(17.0)**
Other incomes, net	4.9	0.2	4.7
Equity in earnings / (losses) of affiliates	0.2	(0.9)	1.1
Net financial expense	(3.4)	(11.4)	8.0
Income tax expense	(8.4)	(4.4)	(4.0)
Net income	**93.2**	**100.4**	**(7.2)**

Overview

For the three-month period ended March 31, 2005, the Company has reported a net income of Ps. 93.2 million, in comparison to the Ps. 100.4 million net income recorded in the same period of 2004. This negative variation in the 2005 net income basically reflects the reduction of the Natural Gas Liquid ("NGL") production and commercialization segment net revenues, partially offset by the increasing in Other Services and Gas Transportation net revenues, and a reduction of financial expenses due to lower interests accrued.

Net Revenues

Gas transportation

Gas transportation service is the main business activity of the Company and represented approximately 47% and 43% of total net revenues earned during the three-month periods ended March 31, 2005 and 2004, 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.

Gas transportation revenues for the three-month period ended March 31 2005 increased by 3.3% as compared to the same period of 2004. This increase basically arose from a Ps. 2 million impact of new firm transportation contracts that came into effect as from May 2004.

Higher firm contracted capacity derives from open biddings conducted by TGS in March 2004. The additional firm contracted capacity is approximately 3.6 MMm^3/d (127 MMcf/d) and is related to available capacity from the gas pipelines plus additional capacity obtained from enhancement works made on the pipeline system during the first months of 2004. Most of these new contracts became effective as from May 2004. It is estimated that annual revenues from these contracts will be approximately Ps. 9 million (based on current tariffs).

In light of the lack of investments in pipeline expansions over the last years (as a consequence of the tariffs "pesification" and the lack of tariffs adjustments) and due to a rising demand of natural gas from certain segments of the Argentine economy; the Argentine Government -through the Executive Branch

Decree No. 180/04 and Resolution No. 185/04 issued by the Ministry of Federal Planning, Public Investment and Utilities- has established the framework for the constitution of a Trust Fund which would finance gas transportation system expansions. To that purpose, in June 2004, TGS submitted to the Energy Bureau a project for the expansion of San Martín pipeline transportation capacity for approximately 2.9 MMm^3/d (102 MMcf/d) (for further information see Note 7.b. to the consolidated financial statements).

Revenues related to the interruptible transportation service might be affected in the future due to the creation of the Gas Electronic Market in line with the provisions of the Executive Branch Decree No. 180/04 (for further information on this issue and on the current status of tariff renegotiation see Note 7.a. to the consolidated financial statements).

<u>NGL production and commercialization</u>

As opposed to the gas transportation segment, the NGL production and commercialization segment is not subject to regulation by ENARGAS.

Net revenues from the NGL production and commercialization segment represented approximately 46% and 53% of TGS's total net revenues during three-month periods ended March 31, 2005 and 2004, respectively. NGL production and commercialization activities are conducted at the Cerri Complex, located near Bahía Blanca and connected to each of the Company's main pipelines. At the Cerri Complex, TGS recovers ethane, propane, butane and natural gasoline. TGS sells its production to NGL marketers and refineries in the local market and part of the production is exported to Petrobras International Finance Company ("Petrobras"), a subsidiary of Petrobras Petróleo Brasileiro S.A. at current international market prices. Ethane is entirely sold in the domestic market to PBB-Polisur S.A. ("Polisur") at agreed prices.

NGL production and commercialization revenues decreased by Ps. 22.2 million in the three-month period ended March 31, 2005 as compared to the same period in 2004, mainly due to the decrease of Ps. 25.1 million reflecting a decline of 26% in the volumes sold. This variation is due to a lower natural gas offer, which caused a lower NGL extraction. This negative variation was partially offset by a rise of international prices, for an amount of Ps. 6 million.

<u>Other services</u>

Other services segment is not subject to regulations by ENARGAS.

The Company render services called "midstream", that mainly consist in gas conditioning, gathering and compression services, which are generally rendered at wellhead, as well as activities related to construction, operation and maintenance of pipelines and compressor plants.

Other services revenues - including telecommunication services rendered by the controlled company Telcosur S.A.- increased by Ps. 5.1 million in the three-month period ended March 31, 2005 as compared to the same period of 2004, mainly due to higher sales of: (i) midstream services by Ps. 1.7 million, (ii) construction services by Ps.1.8 million (mostly due to the services rendered to the gas trust, constituted for the expansion of the gas transportation capacity of the San Martín gas pipeline, mentioned above), and (iii) telecommunication services by Ps. 1.2 million.

Cost of Sales and Administrative and Selling Expenses

Cost of sales and administrative and selling expenses for the three-month period ended March 31, 2005 increased by approximately Ps. 3.4 million as compared to the same period of 2004. This variation derives mainly from: (i) Ps. 5.3 million higher taxes and contributions caused basically by increases in the tax on propane and butane exports rates, which rose from 5% to a 20% in May 2004, partially offset by the decrease in payments of this tax due to lower exports in the first quarter of 2005; (ii) Ps. 2.1 million higher costs regarding the expansion of San Martín gas pipeline. Both of these negative effects were partially mitigated by a Ps. 3.2 million reduction in NGL production costs, as the volume of natural gas purchased and the associated richness incentive payments were lower (generated by lower natural gas availability), partially compensated by the increase in the related prices.

Net financial expense

Net financial expense for the three-month period ended March 31, 2005 increased by Ps. 8 million as compared to the same period of 2004. The breakdown of net financial expense is as follows:

	2005	2004
	(in millions of pesos)	
Generated by assets		
Interest income	3.5	0.9
Foreign exchange loss	(10.9)	(16.4)
Other financial results, net	0.1	(5.4)
Total	**(7.3)**	**(20.9)**
Generated by liabilities		
Interest expense	(50.1)	(55.0)
Foreign exchange gain	57.1	68.9
Amortization of intangible assets	-	(1.7)
Other expenses and financial charges	(3.1)	(2.7)
Total	**3.9**	**9.5**

This positive variation is explained basically for a lower interests accrued over TGS´s debt, as a consequence of the restructured debt at the end of December 2004. Such restructuring consisted, in a repayment of an equal to 11 % of principal, past due interests and lower interest rates.

Other incomes, net

In the first quarter of 2005, other incomes, net increased by Ps. 4.7 million as compared to the same quarter of 2004. This increase is attributable to a favorable court ruling in connection with a legal action file by the Argentine Tax Authority ("AFIP") against TGS. The allowance recovered by the Company amounted to Ps. 5.6 million.

Income tax

In the first quarter of 2005, TGS reported a Ps. 8.4 million income tax expense, which increased in Ps. 4.0 million compared to the same period of 2004, basically due to a lower reversal of the tax loss carryforward allowance posted in the 2005 period.

3. Liquidity

The Company's primary sources and uses of cash during the three-month periods ended March 31, 2005 and 2004, are shown in the table below:

	2005	2004	Variation
	(in millions of pesos)		
Cash flows provided by operating activities	122.7	121.1	1.6
Cash flows used in investing activities	(42.3)	(20.3)	(22.0)
Cash flows used in financing activities	(25.6)	-	(25.6)
Net increase in cash and cash equivalents	**54.8**	**100.8**	**(46.0)**

Cash flows from operating activities for the three-month period ended March 31, 2005 amounted to Ps. 122.7 million, which represents a slight increase of Ps. 1.6 million as compared to the same period of 2004. These funds were applied as follows: (i) to investing activities Ps. 42.3 million, (ii) to financing activities Ps. 25.6 million and, (iii) to increase TGS' cash position Ps. 54.8 million.

4. CONSOLIDATED BALANCE SHEET SUMMARY

Summary of the consolidated balance sheet information as of March 31, 2005, 2004, 2003, 2002 and 2001.

(in thousands of Argentine pesos as described in Note 2.b. to the consolidated financial statements)

	2005	2004	2003	2002	2001 (1)
Current assets	599,650	920,222	474,619	458,473	221,043
Non-current assets	4,519,734	4,625,176	4,797,219	6,695,954	4,580,993
Total	**5,119,384**	**5,545,398**	**5,271,838**	**7,154,457**	**4,802,036**
Current liabilities	298,704	3,376,053	3,282,684	2,028,059	796,844
Non-current liabilities	2,520,885	10,256	2,041	3,435,189	1,639,997
Sub Total	**2,819,589**	**3,386,309**	**3,284,725**	**5,463,248**	**2,436,841**
Shareholders' equity	2,299,795	2,159,089	1,987,113	1,691,179	2,365,195
Total	**5,119,384**	**5,545,398**	**5,271,838**	**7,154,427**	**4,802,036**

(1) Do not include the impact of the application of the deferred income tax.

5. CONSOLIDATED STATEMENTS OF INCOME SUMMARY

Summary of the consolidated statements of income information for the three-month periods ended March 31, 2005, 2004, 2003, 2002 and 2001.

(in thousands of Argentine pesos as described in Note 2.b. to the consolidated financial statements)

	2005	2004	2003	2002	2001 (1)
Operating income	99,846	116,851	94,249	132,222	163,936
Other incomes / (expenses), net	4,949	187	(2,637)	(1,285)	356
Equity in earnings / (losses) of affiliates	225	(876)	1,584	(1,586)	-
Net financial (expense) / income	(3,376)	(11,400)	26,998	(862,931)	(49,723)
Net income / (loss) before income tax	101,644	104,762	120,194	(733,580)	114,569
Income tax (expense) / benefit	(8,449)	(4,345)	94,121	43,859	(42,021)
Net income / (loss)	**93,195**	**100,417**	**214,615**	**(689,721)**	**72,548**

(1) Do not include the impact of the application of the deferred income tax.

6. STATISTICAL DATA (PHYSICAL UNITS)

	First quarter ended March 31,				
Gas Transportation	**2005**	**2004**	**2003**	**2002**	**2001**
Average firm contracted capacity (thousands of m³/d)	65,031	61,792	61,337	61,587	58,195
Average daily deliveries (thousands of m³/d)	58,633	55,109	45,733	41,473	43,316
NGL production and commercialization					
• **Production**					
Ethane (metric tons "mt")	75,437	96,498	86,658	76,669	77,559
Propane and butane (mt)	104,255	144,860	109,839	111,867	105,970
Natural Gasoline (mt)	21,411	29,347	20,394	20,175	20,207
Local market sales (a)					
Ethane (mt)	75,437	96,498	86,658	76,669	77,559
Propane and butane (mt)	46,106	49,912	57,366	44,743	75,579
Natural Gasoline (mt)	1,208	2,703	2,265	2,869	8,412
▪ **Exports (a)**					
Propane and butane (mt)	55,060	90,416	52,433	60,080	22,020
Natural Gasoline (mt)	20,622	29,986	14,373	11,869	16,139

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

7. COMPARATIVE RATIOS

	As of March 31,				
	2005	**2004**	**2003**	**2002**	**2001**
Liquidity (Current assets to current liabilities)	2.01	0.27	0.14	0.23	0.28
Shareholders' equity to total liabilities	0.82	0.64	0.60	0.31	0.97
Non current assets to total assets	0.88	0.83	0.91	0.94	0.95

8. OTHER INFORMATION

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

	2005	**2004**	**2003**	**2002**	**2001**
January	3.37	3.16	1.06	1.78	1.57
February	3.55	3.06	1.29	1.20	1.44
March	3.40	3.08	1.22	1.05	1.52
April	3.04	2.54	1.66	0.82	1.40
May		2.38	1.63	0.64	1.41
June		2.37	1.77	0.51	1.38
July		2.53	1.76	0.61	1.26
August		2.58	1.67	0.95	1.32
September		2.86	1.87	0.94	1.12
October		3.06	1.88	1.10	0.89
November		3.03	2.18	1.27	0.98
December		3.05	2.65	1.10	1.30

9. OUTLOOK

After having restructured our financial indebtedness, in 2005, we are in conditions to focus all our efforts in recovering the profitability of the gas transportation business and to consolidate and develop new opportunities in the non-regulated business.

The top priority, in order to restore the value of the gas transportation business and foster investments, is to agree with the Argentine Government on the required changes to the regulatory framework. This agreement must contemplate tariff adjustment, a method for its subsequent adjustments and other amendments necessary for the stability of the business and its economic feasibility in the long term.

For the non-regulated business, we strive to consolidate and enhance the NGL production and commercialization segment. As far as other services are concerned, we aim to develop synergies with other business segments and to explore new business opportunities both in the local and regional markets.

We also aim to preserve our high operating standards, maintaining the reliability indexes and our commitment to deliver quality to the client and protect the environment, while working on the safety of our employees to obtain the certification in the Work Safety and Health System in 2006.

Buenos Aires, May 5, 2005.

Rafael Fernández Morandé
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b.)

	03/31/2005	12/31/2004
CURRENT ASSETS		
Cash and deposits in banks	5,640	10,116
Investments, net (Exhibit D)	384,970	325,777
Trade receivables, net (Note 4.a.)	105,100	137,864
Other receivables (Note 4.b.)	98,153	131,401
Inventories	5,787	5,501
Total current assets	599,650	610,659
NON CURRENT ASSETS		
Trade receivables (Note 4.c.)	21,594	23,865
Other receivables (Note 4.d.)	177,657	181,111
Investments, net (Exhibit C)	630	401
Property, plant and equipment, net (Exhibit A)	4,311,214	4,318,150
Intangible assets, net (Exhibit B)	8,639	11,285
Total non-current assets	4,519,734	4,534,812
Total assets	5,119,384	5,145,471

	03/31/2005	12/31/2004
CURRENT LIABILITIES		
Accounts payable (Note 4.e.)	79,084	108,506
Loans (Note 6)	135,631	148,388
Payroll and social security taxes payable	6,514	10,370
Taxes payable (Note 4.f.)	17,322	20,368
Other liabilities (Note 4.g.)	60,153	67,327
Total current liabilities	298,704	354,959
NON CURRENT LIABILITIES		
Accounts payable (Note 4.h.)	19,383	11,112
Loans (Note 6)	2,501,502	2,572,800
Total non-current liabilities	2,520,885	2,583,912
Total liabilities	2,819,589	2,938,871
SHAREHOLDERS' EQUITY	2,299,795	2,206,600
Total liabilities and shareholders' equity	5,119,384	5,145,471

The accompanying notes are an integral part of these consolidated interim financial statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENTS OF INCOME

FOR THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b.
except for per share and per ADS amounts in Argentine pesos)

	2005	2004
Net revenues (Note 3)	231,480	245,086
Cost of sales (Exhibit F)	(112,198)	(113,433)
GROSS PROFIT	119,282	131,653
Administrative expenses (Exhibit H)	(5,347)	(5,893)
Selling expenses (Exhibit H)	(14,089)	(8,909)
OPERATING INCOME	99,846	116,851
Equity in earnings / (losses) of affiliates	225	(876)
NET FINANCIAL EXPENSE	(3,376)	(11,400)
Generated by assets		
Interest income	3,559	844
Loss on exposure to inflation	(10,856)	(16,376)
Foreign exchange gain / (loss)	64	(5,363)
	(7,233)	(20,895)
Generated by liabilities (Exhibit H)		
Interest expense	(50,113)	(54,961)
Foreign exchange gain	57,074	68,866
Amortization of intangible assets	-	(1,750)
Other expenses and financial charges	(3,104)	(2,660)
	3,857	9,495
Other incomes, net	4,949	187
NET INCOME BEFORE INCOME TAX	101,644	104,762
Income tax expense (Note 2.j.)	(8,449)	(4,345)
NET INCOME FOR THE PERIOD	93,195	100,417
Net income per share (Note 2.p.)	0.12	0.13
Net income per ADS (Note 2.p.)	0.59	0.63

The accompanying notes are an integral part of these consolidated interim financial statements.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b)

	2005						2004
	Shareholders´ contributions			Retained Earnings			
	Common stock nominal value	Cumulative inflation adjustment to common stock	Subtotal	Legal reserve	Retained earnings	Total shareholders' equity	Total shareholders' equity
Balances at the beginning of the year	794,495	1,145,012	1,939,507	148,517	118,576	2,206,600	2,058,672
Appropriation to legal reserve (1)	-	-	-	5,929	(5,929)	-	-
Net income for the period	-	-	-	-	93,195	93,195	100,417
Balances at the end of the period	794,495	1,145,012	1,939,507	154,446	205,842	2,299,795	2,159,089

The accompanying notes are an integral part of these consolidated interim financial statements.

(1) Resolutions of the Ordinary Shareholders' Meeting held on March 31, 2005

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A.
AND ITS SUBSIDIARY

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b)

	2005	2004
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Net income for the period	93,195	100,417
Reconciliation of net income to cash flows provided by operating activities		
Depreciation of property, plant and equipment	45,780	45,028
Amortization of intangible assets	2,646	4,357
Write off of Property, plant and equipment retired	4,292	2,868
Variations in allowances and provisions	(5,814)	(4,343)
Equity in (earnings) / losses of affiliates	(225)	876
Interest expense	50,113	54,961
Income tax expense	8,449	4,345
Foreign exchange rate and others net financial results	(54,920)	(63,513)
Changes in assets and liabilities:		
Trade receivables	35,021	(23,577)
Other receivables	28,346	(8,332)
Inventories	(286)	1,812
Accounts payable	(33,755)	8,468
Payroll and social security taxes payable	(3,856)	(2,642)
Taxes payable	3,590	10,092
Other liabilities	(1,364)	349
Others	96	(3,932)
Interest paid	(41,866)	-
Asset tax paid	(6,729)	(6,081)
Net cash provided by operating activities	122,713	121,153
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(42,302)	(20,313)
Net cash used in investing activities	(42,302)	(20,313)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Advance payment from clients	11,772	-
Payment of loans	(37,370)	-
Cash used in financing activities	(25,598)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,813	100,840
Cash and cash equivalents at the beginning of the year	335,797	672,222
Cash and cash equivalents at the end of the period	390,610	773,062

The accompanying notes are an integral part of these consolidated interim financial statements.
For supplemental cash flow information see Note 5.

Rafael Fernández Morandé
President

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b.,
except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

1. ORGANIZATION AND START-UP OF THE COMPANY

Transportadora de Gas del Sur S.A. ("the Company" or "TGS") is one of the companies created as a result of the privatization of Gas del Estado S.E. ("GdE"). The Company commenced commercial 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 (National Gas Regulatory Agency or "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 "midstream" services, which mainly consist of gas treatment, removal of impurities from the natural gas stream, gas compression, wellhead gas gathering 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. ("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 of Petrobras Energía and 50% by subsidiaries of Enron. Local and foreign investors hold the remaining ownership of TGS's common stock.

On April 16, 2004, the shareholders of CIESA entered into a Master Settlement and Mutual Release Agreement (the "Settlement Agreement"). The Settlement Agreement provides for, among other things, the transfer, in two stages, of certain shares issued by TGS and by CIESA. In the first stage, Enron subsidiaries will transfer 40% of the outstanding share capital of CIESA to a trust to be formed or to an alternative entity; and Petrobras Energía and its subsidiaries will transfer their TGS class "B" common shares (representing 7.35% of the outstanding share capital of TGS) to Enron subsidiaries. In the second stage, Enron subsidiaries will transfer their remaining outstanding share capital of CIESA to the trust mentioned above or to an alternative entity, subject to the simultaneous transfer of the TGS class "B" common shares held by CIESA (representing approximately 4.3% of the outstanding shares of TGS) to Enron subsidiaries.

In May 2004, the bankruptcy court having jurisdiction over the bankruptcy of Enron approved the Settlement Agreement. In addition, the transfers referred to above are subject to several conditions, one of which is the approval from ENARGAS.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company's consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles in force in the Autonomous City of Buenos Aires ("Argentine GAAP"), (except for what is mentioned in b. and g. in the present note) and the regulations of the Comisión Nacional de Valores (the Argentine National Securities Commission or "CNV") and ENARGAS. Argentine GAAP differs in certain significant respects from generally accepted accounting principles in the United States of America ("US GAAP"). Such differences involve methods of measuring the amounts shown in the financial statements, as well as additional disclosures required by US GAAP and Regulation S-X of the Securities and Exchange Commission ("SEC"). These consolidated financial statements do not include any valuation adjustments or additional disclosures to reflect such differences.

The consolidated interim financial statements include the accounts of TGS and its subsidiary Telcosur S.A. ("Telcosur") which have been consolidated following the methodology established in Technical Resolution ("TR") No. 21 of the Argentine Federation of Professional Councils in Economic Sciences ("Argentine Federation"). The accounting policies followed by Telcosur in the preparation of its financial information are consistent with those applied by TGS. All significant intercompany transactions have been eliminated in consolidation.

Detailed data reflecting subsidiary direct control as of March 31, 2005 and 2004 and December 31, 2004 is as follows:

Company	% of shareholding and votes	Closing date	Legal address
Telcosur S.A.	99.98 %	December 31,	Don Bosco 3672, 6th Floor Autonomous City of Buenos Aires

For consolidation purposes for the three-month periods ended March 31, 2005 and 2004 unaudited financial statements of Telcosur have been used. For the year ended December 31, 2004, audited financial statements of Telcosur have been used.

a) Use of estimates

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 the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the allowance for doubtful accounts, depreciation, amortization, impairment of long-lived assets, income taxes and contingencies. Actual results could be materially different from such estimates.

Estimates and assumptions include the expected impacts on the consolidated financial statements of the Company as of March 31, 2005 caused by the measures adopted by the Argentine Government (relating to the economic crisis that started in December 2001). The projections, which include those related to the fair value of non-current assets at period end, contemplate alternative scenarios based on macroeconomic, financial, market and regulatory assumptions which are considered probable, and are aimed at restoring the financial condition of the Company. Actual results could materially differ from such evaluations and estimates, and such differences might be significant. Furthermore, at the time of issuance of these consolidated interim financial statements it is not possible to foresee the future development of the country's economy, the results of the License renegotiation process (see Note 7.a), nor their consequences on the Company's financial condition and the results of its operations. Consequently, any decision taken on the basis of these consolidated interm financial statements must consider the effects of these events and conditions and their future development. Therefore, the Company's consolidated interim financial statements must be read in the light of these uncertain circumstances.

b) Presentation of consolidated financial statements in constant Argentine pesos

The consolidated financial statements have been prepared in constant Argentine pesos, 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 Professional Council in Economic Sciences of Autonomous City of Buenos Aires ("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 consolidated 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 No. 664, which provides that financial statements for periods ending after such date shall be stated in historical Argentine pesos. As a consequence and in accordance with Resolution No. 441, issued by the CNV, the Company suspended inflation accounting effective March 1, 2003. This criterion is not in line with effective accounting standards, which stipulate that financial statements should be restated as of September 30, 2003.

c) Short-term receivables and liabilities in currency

Short-term receivables and liabilities, including accrued interest if applicable at the end of each period / year, have been valued at their respective nominal value, 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.

d) Foreign currency assets and liabilities

Assets and liabilities denominated in foreign currencies, including accrued interest, if applicable, have been translated at the prevailing exchange rates at the end of each period / year. Detailed information is disclosed in Exhibit G.

e) Inventories

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 in the hands of third parties, and NGL obtained from natural gas processing at the Cerri Complex. The Company values these inventories at replacement or reproduction cost, as applicable, at the end of each period / year. The carrying value of inventories does not exceed its recoverable value.

f) Investments

Bank accounts in local and foreign currency have been valued at their face values plus accrued interest, which do not materially differ from their discounted value using the internal rate of return effective at inception.

Mutual funds have been valued at their respective fair value.

Investments in Government Bonds to be held to maturity 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 acquisition of the assets. The book value of these investments, net of corresponding impairment, does not exceed their respective recoverable value.

Equity investments in companies in which the Company's ownership interest ranges between 20% and 50%, such as Gas Link S.A. ("Link") and Emprendimientos de Gas del Sur S.A. ("EGS"), have been accounted for under the equity method. These investments have been valued based on the financial statements at the dates specified in Exhibit C, which have been prepared applying similar criteria to that used by the Company to prepare its consolidated financial statements. As of March 31, 2005 and December 31, 2004, the investment in Link has been adjusted by Ps. 5,820 and Ps. 5,873, respectively, due to the elimination of intercompany profits, as required by Argentine GAAP.

As of December 31, 2004, EGS recorded losses in excess of the book value of the investment recorded by the Company. As shareholders intend to support the operations of EGS, the Company has recorded these losses in these consolidated interim financial statements and disclosed the investment under Other Liabilities.

The Company considers its foreign subsidiary Transporte y Servicios de Gas en Uruguay S.A. ("TGU") to be a "non-integrated subsidiary". Consequently, TGU's assets and liabilities have been translated into Argentine pesos using the exchange rate in effect at year/period-end, while its common stock and retained earnings accounts have been translated using historical exchange rates. The investment in this company has been accounted for under the equity method.

The Company's management is not aware of any significant transactions or events affecting Link, EGS and TGU financial statements, and there have been no significant transactions between TGS and these companies between December 31, 2004 and March 31, 2005.

g) Long-term receivables and liabilities in currency

As required by the CPCECABA, long-term receivables and liabilities (except for deferred tax assets and liabilities as described below) have been valued based on the best estimate of the discounted value of the amounts expected to be collected or paid, as applicable, using the interest rate effective at the time of the initial measurement or the interest rate for savings accounts of *Banco de la Nación Argentina*, in effect at the moment of the acquisition or incurrance of such assets or liabilities.

Loans have been valued based on the best estimate of the present value of the amounts expected to be paid, using the internal rate of return estimated at the inception of the transaction. This rate does not significantly differ from the market interest rate at that moment.

Assets and liabilities generated as a result of the application of the deferred tax method have been calculated at their nominal value in accordance with Resolution No. 434 of CNV (which is not in accordance with CPCECABA rules) net of a valuation allowance for non-recoverable tax loss carryforwards.

h) Property, plant and equipment, net

- Assets transferred from the privatization of GdE: The value of these assets was determined based on the price paid for the acquisition of 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 debt assumed under the Company's privatization agreement (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 2.b).

- Line pack: It represents the natural gas in the transportation system that is necessary to keep the system at operating capacity, valued at acquisition cost and restated for the effects of inflation as described in Note 2.b).

- Capitalization of exchange loss: Resolutions No. 3/2002 and 87/03 issued by the CPCECABA and Resolution No. 398 of the CNV established that exchange losses arising from the devaluation of the peso from January 6, 2002 to July 28, 2003, to the extent that they were related to foreign currency liabilities existing at the first date, are to be added to the cost basis of assets acquired or constructed with direct financing by such foreign currency liabilities. Similar accounting treatment is permitted, but not required, for exchange losses arising from indirect financing. It was assumed that the proceeds from such financings were used, firstly, to cover working capital requirements and, secondly, to finance the acquisition or construction of assets that do not qualify for capitalization. The remainder was assumed to relate to assets for which capitalization is permitted.

- Additions: They have been valued at acquisition cost restated for the effects of inflation as described in Note 2.b). 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, Resolutions No. 1,660 and No. 1,903 issued by ENARGAS include definitions prescribing which costs should be considered improvements and which costs should be considered maintenance expenses. Repair and maintenance costs have been expensed as incurred.

- Depreciation: The Company applied the straight-line method assigning specific useful lives for all assets allocated to transportation service and to the NGL production and commercialization. Assets allocated to natural gas transportation service are regulated by Resolutions No. 1,660 and No. 1,903 issued by ENARGAS which establish maximum useful lives applicable to each component of such assets.

  For depreciation of all other property, plant and equipment, the Company uses the straight-line method of depreciation and applies the annual depreciation rates disclosed in Exhibit A. Gain or loss on retirement of these assets is recognized in income in the year in which such retirement occurs.

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

- Interest Capitalization: The net cost of external financing used to fund the construction of long-lived assets is capitalized within "Property, Plant and Equipment, net" until the corresponding asset is ready for its intended use. For the three-month period ended March 31, 2005, the Company has capitalized interest for Ps. 819.

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

i) Intangible assets

Intangible assets have been valued at their historical cost, restated to account for the effects of inflation as described in Note 2.b), less accumulated amortization.

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

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b.,
except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

January 1, 2001, the net book value of these costs as of December 31, 2000 is being amortized over a five-year period, as well as the cost of the acquisition of licenses.

Through December 15, 2004, costs incurred as a consequence of entering into contracts to hedge the Company from fluctuations in interest rates were deferred over the term of the related loans. In addition, up to December 15, 2004, arrangement costs for the issuance of debt associated with Global Programs, as well as debt issuance costs, were deferred over the term of the related debt. As mentioned in Note 6, on December 15, 2004, the Company completed the restructuring process of its financial indebtedness. Consequently, the Company charged to expense (i) unamortized hedging costs, (ii) unamortized Global Program and notes issuance costs, and (iii) other costs incurred in connection with the restructuring process.

j) Income tax provision

The Company and its subsidiary have calculated their respective income taxes 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 in effect at the time of utilization was applied to identified temporary differences and tax loss carryforwards based on the legal requirements effective at the time of preparation of these consolidated interim financial statements.

Income tax expense for the three-month periods ended March 31, 2005 and 2004 consist of the following:

	2005	**2004**
Estimated current income tax expense	(93)	(186)
Deferred income tax expense	(44,637)	(45,629)
Change in valuation allowance	36,281	41,470
Income tax expense	**(8,449)**	**(4,345)**

The components of the net deferred tax asset as of March 31, 2005 and December 31, 2004, are the following:

	03/31/2005	**12/31/2004**
Non current deferred tax assets and liabilities		
Allowance for doubtful accounts	98	98
Deferred sales	(1,012)	(849)
Present value other receivables	742	775
Government bonds impairment	6,574	6,496
Deferred earned interests	(367)	(367)
Property, plant and equipment, net	(84,252)	(84,914)
Intangible assets, net	(1,124)	(1,498)
Other provisions	17,777	17,765
Provision for contingencies	5,343	7,378
Exchange difference (1)	50,751	58,002
Tax loss carryforwards	312,623	348,904
Valuation allowance	(209,630)	(245,911)
Net deferred tax asset	**97,523**	**105,879**

(1) Corresponds to the loss caused by the devaluation of the Argentine Peso as of December 31, 2002 which according to Decree No. 2,568/02, will be deductible for income tax purposes in five years from 2002 to 2006.

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b., except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

Income tax expense computed at the statutory tax rate (35%) on pre-tax income differs from the income tax expense for the three-month periods ended March 31, 2005 and 2004 as follows:

	2005	2004
Pre-tax income	101,644	104,762
Statutory income tax rate	35%	35%
Income tax expense at statutory income tax rate	(35,575)	(36,667)
Permanent differences at statutory income tax rate		
- Inflation adjustment	(9,134)	(9,220)
- Equity in earnings of affiliates	95	(295)
- Change in valuation allowance	36,281	41,470
- Others, not individually significant	(116)	367
Total net income tax expense	(8,449)	(4,345)

The accumulated tax loss carryforwards on a consolidated basis that are available to offset future taxable income are the following:

Description	Amount	Year of expiration
Tax loss carryforward 2002 (1)	996,869	2007
Utilization in 2005	(103,661)	
Accumulated tax loss carryforward	**893,208**	

(1) Remainder after the presentation of the tax return form for fiscal year 2003.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become recoverable. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning in making these assessments. The Company is required to continuously evaluate the recoverability of deferred tax assets. This evaluation is based on internal projections made as discussed in Note 2.a), which are routinely updated to reflect more recent trends in the Company's results of operations. Based on current financial information, the Company is uncertain that it will recover its entire deferred tax assets through future taxable income. Accordingly, at March 31, 2005 and December 31, 2004, the Company recognized a valuation allowance of Ps. 209,630 and Ps. 245,911 against its deferred tax assets respectively.

k) Asset tax provision

The Company and its subsidiary are subject to the Asset Tax Law ("Impuesto a la Ganacia Minima Presunta"). The asset tax is calculated on an individual entity basis at the statutory tax rate of 1%, and is based upon the taxable assets of each Argentine entity as of the end of the year. This tax is complementary to income tax and 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 any excess of income tax over asset tax occurring within the subsequent ten years.

In the opinion of management, it is more likely than not that the Company will utilize such asset against future taxable income charges within the next ten years and, as a result, the Company has recognized the accumulated asset tax charge within "Other non-current receivables" in the accompanying consolidated balance sheet.

l) Allowances and provisions for contingencies

The Company provides for losses relating to its accounts receivable and government bonds. The allowance for losses is based on management's evaluation of various factors, including the credit risk of customers, historical trends and other information. While management uses the information available to make evaluations, future adjustments to the allowance may be necessary if future economic conditions differ substantially from the assumptions used in making the evaluations. Management has considered all events and/or transactions that are subject to reasonable and normal methods of estimation, and the consolidated financial statements reflect that consideration.

In addition, TGS has recognized a valuation allowance to adjust the remaining balance of the tax loss carryforward included in the tax return for fiscal year 2002, which based on the income projections, will be utilized before it expires.

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 outcome of these matters and the experience of the Company's legal counsel in contesting, litigating and settling other matters. As the scope of the liabilities becomes better defined, there will be changes in the estimates of future costs, which could have a material effect on the Company's future results of operations and financial condition or liquidity.

Contingencies and allowances are disclosed in Note 9 and Exhibit E.

m) Shareholders' equity accounts

These accounts have been restated to account for the effects of inflation as described in Note 2.b), except for "Common stock nominal value" which is stated at original cost. The adjustment derived from the restatement of such account has been disclosed under "Cumulative inflation adjustment to common stock", line item in the Statement of Changes in Shareholders' Equity.

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 income accounts

Expenses related to consumption of non-monetary assets have been restated to reflect the effects of the inflation as described in Note 2.b).

p) Earnings and dividends per share and per American Depositary Shares ("ADS")

Earnings and dividends per share and per ADS for the three-month periods ended March 2005 and 2004 have been calculated based on 794,495,283 outstanding shares during each period. One ADS represents five Class B shares. As the Company does not have preferred stock or convertible debt, the amount of basic earnings per share is the same as the amount of diluted earnings per share.

3. CONSOLIDATED BUSINESS SEGMENT INFORMATION

The Company's business segments are as follows: (i) natural gas transportation services through its pipeline system; (ii) NGL production and commercialization and (iii) other services, which include midstream and telecommunication services (the latter rendered by its subsidiary, Telcosur).

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 (losses) / earnings of affiliates, net financial expense and income tax (expense) / benefit.

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.

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b., except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

There were no revenues among the business segments during the reported years.

As of and for the three-month period ended March 31, 2005	**Gas Transportation**	**NGL Production and commercialization**	**Other services**	**Corporate**	**Total**
Net revenues	109,524	107,549	14,407	-	231,480
Operating income (loss)	52,466	49,883	4,136	(6,639)	99,846
Depreciation of property, plant and equipment	34,660	7,173	3,355	592	45,780
Additions to property, plant and equipment (includes work in progress)	41,513	1,314	18	291	43,136
Identifiable assets	3,973,116	418,847	188,787	538,634	5,119,384
Identifiable liabilities	39,401	42,010	2,982	2,735,196	2,819,589

For the three-month period ended March 31, 2004					
Net revenues	105,953	129,806	9,327	-	245,086
Operating income (loss)	49,324	73,011	1,683	(7,167)	116,851
Depreciation of property, plant and equipment	33,923	6,606	3,356	1,143	45,028
Additions to property, plant and equipment (includes work in progress)	15,582	2,010	1,990	138	19,720

For the year ended December 31, 2004					
Identifiable assets	4,004,438	452,309	194,852	493,872	5,145,471
Identifiable liabilities	68,543	3,476	4,838	2,822,014	2,938,871

The Company renders services of its gas transportation business principally to gas distribution companies, to Petrobras Energía, to Profertil S.A. ("Profertil") and to Repsol-YPF S.A. ("Repsol-YPF"). The principal customers in terms of net revenues from gas transportation for the three-month periods ended March 31, 2005 and 2004 are as follows:

	March 31,	
	2005	**2004**
MetroGas S.A.	42,993	42,641
Camuzzi Gas Pampeana S.A.	19,351	19,300
Gas Natural BAN S.A.	15,142	15,152
Petrobras Energía	6,527	6,190
Camuzzi Gas del Sur S.A.	4,587	4,096
Profertil	2,953	2,896
Repsol-YPF	2,955	2,823

The principal customers in the NGL production and commercialization segment are Petrobras International Finance Company ("Petrobras"), a subsidiary of Petróleo Brasileiro S.A., and PBB-Polisur S.A.("Polisur"). Net revenues from these customers (include NGL sales made on account of third parties, from which TGS withholds charges for production and commercialization) for the three-month periods ended March 31, 2005 and 2004 are as follows:

	2005	**2004**
Petrobras	80,487	110,843
Polisur...	32,581	34,256

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004**
(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b., except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

4. SUMMARY OF SIGNIFICANT BALANCE SHEET ITEMS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004

		03/31/2005	12/31/2004
a)	**Current trade receivables**		
	Gas transportation		
	MetroGAS S.A.	16,543	17,515
	Camuzzi Gas Pampeana S.A.	7,543	7,491
	Gas Natural BAN S.A.	6,942	6,834
	Camuzzi Gas del Sur S.A.	1,752	1,720
	Profertil S.A. (“Profertil”)	1,269	1,176
	Repsol-YPF S.A. (“Repsol-YPF”)	1,140	981
	Related companies (Note 10)	4,673	5,255
	Others	7,456	7,906
	Subtotal	**47,318**	**48,878**
	NGL production and commercialization		
	Polisur	13,260	17,508
	Repsol-YPF	1,712	3,166
	Related companies (Note 10)	8,790	27,128
	Others	10,170	14,602
	Subtotal	**33,932**	**62,404**
	Other services		
	Pan American Energy LLC (Argentine Branch)	6,442	6,629
	Profertil	4,768	3,246
	Consorcio Yacimiento Ramos	2,639	2,264
	Related companies (Note 10)	4,185	6,570
	Others	6,736	8,793
	Subtotal	**24,770**	**27,502**
	Allowance for doubtful accounts (Exhibit E)	(920)	(920)
	Total	105,100	137,864

b)	**Other current receivables**		
	Tax credits	14,462	34,696
	Prepaid insurance expense	1,139	3,680
	Other prepaid expenses	105	1,092
	Guarantee deposits	55,817	71,203
	Advanced payments to suppliers	19,523	15,217
	Others	7,107	5,513
	Total	**98,153**	**131,401**

c)	**Non current trade receivables**		
	Other services		
	Pan American Energy LLC (Argentine Branch)	5,976	6,838
	Profertil	15,618	17,027
	Total	**21,594**	**23,865**

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b., except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

		03/31/05	12/31/04
d)	**Other non current receivables**		
	Deferred income tax (Note 2.k.)	97,523	105,879
	Asset tax credit (Note 2.l.)	63,650	57,746
	Easement expense to be recovered (Note 9.b.)	4,233	4,233
	Tax credit certificates	8,438	9,246
	Others	3,813	4,007
	Total	**177,657**	**181,111**

e)	**Current accounts payable**		
	Suppliers	54,034	83,830
	Advanced payments from clients	23,453	17,530
	Related companies (Note 10)	1,597	7,146
	Total	**79,084**	**108,506**

f)	**Taxes payable**		
	Asset tax, net	5,191	6,539
	Turnover tax	1,548	778
	Value added tax ("VAT")	-	1,221
	Tax on exports	8,152	9,434
	Others	2,431	2,396
	Total	**17,322**	**20,368**

g)	**Other liabilities**		
	Provisions for contingencies (Exhibit E)	15,267	21,081
	Provisions for *Gas del Estado* lawsuit	(1) 43,490	(1) 45,254
	Other provisions	1,396	992
	Total	**60,153**	**67,327**

h)	**Non current accounts payable**		
	Advanced payments from clients	19,383	11,112
	Total	**19,383**	**11,112**

(1) Net of the cost of Cordillerano Pipeline expansion, which amounted to Ps. 16,976 and Ps 15,212 as of March 31, 2005 and December 31, 2004, respectively (Note 9.a).

5. SUPPLEMENTAL CASH FLOW INFORMATION

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

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

	As of March 31,	
	2005	**2004**
Cash and deposits in banks	5,640	4,067
Current investments, net	384,970	771,170
Current investments with original maturity longer than three months	-	(2,175)
Total	**390,610**	**773,062**

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b., except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

Non-cash transactions are as follows:

	As of March 31, 2005	As of March 31, 2004
Supplier financing to acquisition of Properties, plant and equipments	6,359	7,174

6. LOANS

Detailed information of TGS's debt profile as of March 31, 2005 and December 31, 2004 is as follows:

	03/31/2005	12/31/2004
Current Loans:		
Tranche A:		
2004 Euro medium – term notes ("EMTN") Program: Series 1 notes	72,610	75,077
Privately placed notes	11,251	12,416
Inter-American Development Bank ("IDB") loans	39,610	41,375
1999 EMTN Program: Series 2 notes	(1) 1,368	7,129
Interests payable	7,934	9,185
Leases (rates between 7.65% and 9.00%)	2,858	3,206
Total current loans	**135,631**	**148,388**
Non current loans:		
Tranche A		
2004 EMTN Program: Series 1 notes	716,001	748,834
Privately placed notes	110,960	115,268
IDB loans	390,586	408,075
Tranches B-A and B-B		
2004 EMTN Program: Series 1 notes	744,701	760,531
Privately placed notes	115,408	117,861
IDB loans	406,242	414,877
Interests payable	12,917	2,053
Leases (rates between 7.65% and 9.00%), due through 2008.	4,687	5,301
Total non-current loans	**2,501,502**	**2,572,800**
Total loans	**2,637,133**	**2,721,188**

(1) It corresponds to notes that did not participate in the exchange.

Debt Restructuring:

In December 2004, TGS concluded the restructuring process of its outstanding indebtedness. The restructuring proposal, which obtained the consent of 99.76% of the Company's creditors, consisted in the exchange of existing debt obligations for a combination of cash and the issuance of new notes (for the holders of this type of instrument) or privately placed notes (in exchange for short–term obligations). In addition to cash payments made, TGS subscribed amended and restated loan agreements ("Amended Loan Agreements") in connection with the IDB loans.

The cash payment consisted in the repayment of an equal to 11% of principal owed to those creditors who gave their consent to the exchange offer and a payment of the accrued and unpaid interests of the previous debt, calculated at the contractual interest rate of each of the Company's previous debt obligations until December 31, 2003 and at an annual rate of 6.18% from January 1, 2004 to December 15, 2004. Such payment was considered as settlement of all claims for accrued and unpaid interest, including default interest.

The new debt obligations (notes and privately placed notes) and the Amended Loan Agreements were issued and subscribed, respectively, for the remaining 89% of the principal amount and were instrumented in tranches A, B-A and B-B.

Notes, privately placed notes and loans type A ("Tranche A") amount to US$ 470,306,281, which represents 52% of the principal of the new debt obligations. Tranche A accrues interest at an annual rate of 5.3% for the first year, stepping up to 7.5% in the last year. Principal is amortized over a 6-year term, starting as from the first year. Principal amortization and interest payment are made on a quarterly basis.

Notes, privately placed notes and loans type B-A ("Tranche B-A") and type B-B ("Tranche B-B") amount to US$ 409,044,874 and US$ 25,083,940, respectively (together representing 48% of the new debt obligations), and accrue interest at an annual rate of 7% for the first year, increasing up to 10% in the last year. These tranches accrue an incremental interest rate as from the third year, which in the case of the tranche B-A may range from 0.75% to 2%, subject to, if applicable, the level of the consolidated EBITDA (defined as earnings before net financial expense, income tax, depreciation and amortization) of each fiscal year. The incremental annual rate for the Tranche B-B is 0.60% for the third year, increasing by 5 basic points in each of the subsequent years until it reaches 0.90% in the last year. Principal is amortized over 9 years, with a grace period of 6 years. Amortization of principal, as well as interest payments are made on a quarterly basis.

The new debt includes a clause providing for an early amortization, the implementation and amount of which, if applicable, depends on the consolidated debt ratio (relation between the consolidated debt and the consolidated EBITDA of the last four quarters), the liquidity level and certain subsequent payments that the Company should make. These variables are calculated at the end of each period/year. The final early amortization is calculated based on the fiscal year ended December 31, 2010. The early amortization that is calculated based on the annual financial statements is mandatory, as well as the early amortization that is calculated based on the semi-annual financial statements, when the Company would make advance dividends payment. The anticipated amortization is optional at the Company's choice in the case of interim financial statements and semi-annual financial statements when there is no intent to make advance dividends payment.

The schedule of future principal amortizations is as follows:

	In millions of pesos								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Tranche A	93	123	137	274	343	371	-	-	-
Tranches B-A and B-B	-	-	-	-	-	-	519	557	190

The issuance of new notes and privately placed notes for an amount of US$ 531,870,232 and US$ 82,424,863, respectively, were carried out under the Global Program for the issuance of notes up to a maximum amount of US$ 800 million. The creation of the Global Program was approved by the Ordinary Shareholders Meeting held on April 2, 2004 and authorized by the CNV on October 28, 2004. Public trading of this issuance was authorized by the Bolsa de Comercio de Buenos Aires ("BCBA") and the Mercado Abierto Electrónico ("MAE").

<u>Covenants</u>:

The Company is subject to the compliance of a series of restrictions arising from its new debt agreements which include, among others, the following:

i) The Company may assume new debt, subject to the following covenants, among others:

   a. Debt for the financing of working capital, including short-term financing or imports/exports financing, provided that the aggregate outstanding amount of this kind of debt does not exceed US$ 25 million.

   b. Debt for the refinancing of the restructured debt.

   c. As from December 15, 2007, the Company may assume additional indebtedness provided that at the moment of incurring such debt the consolidated debt ratio is lower than 3.50 for the twelve-month period starting as from that date. This cap decreases throughout the subsequent years to reach a minimun of 3.00 in the year 2013.

   d. Outstanding financial leasing obligations shall not exceed US$ 10 million at any moment.

e. Debts related to hedging or foreign currency agreements, provided that such agreements are not entered into for speculative purposes and are required to cover or manage the risk the Company is or is expected to be exposed to in the natural course of business.

ii) The Company may carry out the following capital expenditures, among others:

a. With no restrictions when related to (i) capital expenditures used in emergency unscheduled repairs and maintenance; (ii) capital expenditures to be financed by third parties through advance payments from clients and (iii) capital expenditures to be financed by capital contributions in cash or by the issuance of subordinated debt.

b. Capital expenditures incurred in connection with maintenance activities, up to a maximum annual amount of US$ 26 million in 2004, increasing up to US$ 58 million in 2010 and subsequent years while the restructured debt remains outstanding. However, if in any of fiscal years the total amount of capital expenditures is lower than the mentioned maximum amounts, the difference may be added to the maximum amount of the subsequent year.

c. Capital expenditures not mentioned in a. and b., for an initial amount of US$ 75 million which may be increased when early amortizations of debt principal are paid based on liquidity surplus accomplished at the end of each period/fiscal year.

d. Without any restrictions, and concerning any kind of capital expenditure as from December 15, 2008, if the consolidated debt ratio is lower than 3.

iii) The Company may pay dividends as long as (i) the Company is not in default with its creditors, (ii) the early amortization and additional interests of Tranche B, in both cases if applicable, have been cancelled and, (iii) the consolidated coverage ratio at the closing of each annual or quarterly financial statement is higher than 2.70 in the fiscal year 2005 (the minimum rises up to 3.00 for fiscal year 2009 onwards). The consolidated coverage ratio is the quotient of the consolidated adjusted EBITDA to the consolidated interest expense (as each of those terms is defined in the new debt obligations for the purpose of calculating the ratio).

The aggregate amount of management fee and dividends paid shall not exceed US$ 15 million for the fiscal years 2005 and 2006, US$ 20 million for fiscal year 2007 and US$ 25 million for fiscal year 2008 and subsequent years, for as long as the restructured debt remains outstanding.

iv) Restriction to assets sales: TGS shall not carry out any asset sales unless (i) the sale operation involves a non-regulated asset and is carried out under arms-length, (ii) the price at the transaction date is at least the fair market value of the assets sold and (iii) at least 75% of the payment received by the Company is in cash or a cash equivalent. Additionally, the proceeds obtained from non-regulated asset sales shall be used to repay the new debt obligations of the Company, unless they are reinvested in new assets within a year as from the date of the sale transaction.

- Derivative financial instruments:

Interest rate caps

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 had been recorded as "Intangible assets" and was amortized over the term of the loan agreement as of December 15, 2004, the date at which TGS carried out the exchange of previously existing debt obligations. The net book value at that date was charged to expense.

7. REGULATORY FRAMEWORK

a) General framework and current tariff context:

The Company's natural gas transportation business is regulated by Law No. 24,076 ("the Natural Gas Act"), its regulatory decree No. 1,738/92 and by regulations issued by ENARGAS, which 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 should 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 at the time of privatization and could be adjusted, subject to prior authorization, in the following cases: (i) semi-annually to reflect changes in the US producer price index ("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 could be adjusted to reflect non-recurrent circumstances or tax changes, other than income tax.

The terms mentioned above in connection with tariff adjustments contemplated within the regulatory framework are no longer effective since the approval of the Public Emergency Law in early 2002 (the "Emergency Law"), which, among other provisions, eliminated tariff increases based on US dollar exchange rate fluctuations, foreign price indexes or any other indexing procedure and established a conversion rate of one peso to one US dollar for tariffs. The Emergency Law also granted the Executive Branch power to renegotiate contracts entered into with private utility companies, pursuant to the framework included in the Emergency Law. However, since early 2002 and so far up to the date of issuance of these consolidated interim financial statements no progress has been made in the renegotiation of the contracts - nor have tariffs been readjusted- in spite of several attempts by the Executive Branch to grant partial tariff increases. These tariff increases were suspended by Court decisions on legal actions filed by consumer organizations and the Ombudsman, on the grounds that tariff increases were illegal until the contract renegotiation process was completed.

In July 2003, the Unit for Renegotiation and Assessment of Utilities Contracts ("UNIREN") was created under the joint jurisdiction of the Ministries of Economy, Production, Federal Planning, Public Investment and Utilities. This unit conducts the renegotiation process of the contracts related to utilities and public works, and is entitled to reach total or partial agreements with the licensees and submit projects regulating the transitory adjustment of tariffs and prices, among other things. No progress was made in the renegotiation process until December 2003, when the UNIREN and TGS discussed preliminary documents, including (i) the renegotiation guidelines, which determined the preparation of an agenda and a schedule for its discussions, (ii) a draft agenda was outlined in order to deal with main issues such as costs, investment programs and financing, rates of return and tariffs, etc. and (iii) a schedule was settled for the renegotiation of the regulatory framework, which set December 28, 2004 as the deadline for the adjustment of the regulatory framework with the approval of the National Congress.

In July 2004, UNIREN submitted to TGS a proposal for the adjustment of the contractual terms and conditions of its License, which provides for, among other things, a tariff increase of 10% effective as from January 2005, an overall tariff review to come into force since 2007 and the resignation from any claim or lawsuit in connection with the effects of the Emergency Law No. 25,561 prior to the coming into effect of the agreement, as well as keeping unharmed the Argentine Government from any claim or lawsuit that could prosper related the same cause.

As this proposal differed from discussions TGS previously had with UNIREN, TGS rejected it choosing instead to seek to reach an overall agreement with UNIREN by the end of 2004 (in line with what had been originally outlined by UNIREN in the "Preliminary Renegotiation Guidelines") and to carry out the respective process of approval during the first semester of 2005.

On March 10, 2005, UNIREN called for a public hearing, which was held on April 27, 2005, to discuss its proposal presented in July 2004. During the hearing, UNIREN reaffirmed its offer of a 10% tariff increase and propose to anticipate the process of the overall tariff revisions, so that the resulting tariff adjustments will come into force during 2006. Regarding the resignation to the claims, the UNIREN outlined a first stage that included the postponement of the potential claims, prior to the coming into effect of the agreement and, afterwards, the resignation to any claim or lawsuit, holding the indemnity to the Argentine Government. TGS stated, regarding the original proposal, that it is imperative to negotiate an overall agreement and, since some points of the UNIREN proposal required to be improved, TGS expressed its willingness to continue discussing it. As of the date of the issuance of these financial statements, TGS has not received any formal proposal which reflects what was stated by the UNIREN in the Public Hearing, nor the suggestions made by the Company in order to improve the original proposal.

The Executive Branch, through Decree No. 180/04, among other measures, established the creation of a Gas Electronic Market ("MEG") with the purpose of improving the transparency of financial and operating performance, the coordination of daily transactions both of the gas spot and the transportation and distribution secondary markets along with the shaping of efficient prices through offer and demand free interaction. To that purpose, all firm transportation capacity non-allocated for the following day shall be marketed through the MEG and the proceeds from that capacity sale will be used at the Energy Bureau's criteria. Non-allocated capacity includes remaining capacity not used in any of the transportation systems or pipelines. This implies that TGS is bound to offer daily non-allocated capacity that complies with this condition in the MEG, which might have a material impact on the Company's interruptible transportation revenues.

The NGL production and commercialization and other services segment are not regulated by ENARGAS, and as provided in the Transfer Contract, are organized as divisions within the Company and maintain 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) Expansion of the gas transportation system

In light of the lack of expansions of the natural gas transportation system over the last years (as a consequence of the "pesification" of tariffs and the fact that the renegotiation of the license is still pending) and a growing gas demand in certain segments of the Argentine economy, the Argentine Government established - through Executive Branch Decree N° 180/04 and Resolution N° 185/04 issued by the Ministry of Federal Planning, Public Investment and Utilities - the framework for the creation of a Trust Fund which would finance gas transportation system expansions.

In June 2004, TGS submitted to the Energy Bureau a project for the expansion of the San Martín pipeline transportation capacity for approximately 2.9 MMm3/d. This project involves the construction of approximately 509 km of pipeline and a 30,000 HP compression capacity increase through the construction of a compressor plant and the revamping of some compressor units. TGS conducted an Open Bidding to allocate biddings for the 2.9 MMm3/d capacity and started a bidding process for the purchase of pipeline on account of the Trust Fund.

On November 3, 2004, TGS, the Executive Branch, Petrobras Petróleo Brasileiro S.A. and Nación Fideicomisos S.A., among others, signed an agreement to carry out the expansion. On November 25, 2004, this agreement was ratified through Decree No. 1,658/04 by the Executive Branch. On February 16, 2005, the ENARGAS together with the Federal Energy Bureau awarded civil works contract for the expansion.

As of March 31, 2005, TGS recorded under "Other current receivables" US$ 17.3 million for guarantee deposits paid to the pipe supplier, in order to maintain the price and delivery terms of the Bid offered by the supplier. This amount will be reimbursed to TGS once the supplier receives the payment from the Trust Fund, which depends principally on obtaining a loan from a foreign bank. In February, 2005 the financial entity approved such loan.

c) 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 the prior authorization of ENARGAS. 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.

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b.,
except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

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; or

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 stock 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 Ps. 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 Ps. 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, common stock was increased by Ps. 237,186 to a total of Ps. 794,495 in Argentine pesos of that date.

As of March 31, 2005 the Company's common stock that has been subscribed, paid in and issued is comprised as follows:

Classes of stock

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

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

The Argentine Government initially held a 27% shareholding interest in the Company represented solely by class "B" shares. Such class "B" common shares were sold in two stages: (i) a substantial part in 1994 through a local and international public offering (outside Argentina, the shares were offered in 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 interest 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 on 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 transaction that reduces the shareholding will result in the acquisition of a shareholding of not less than 51% by another investment company; and

- 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 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 payment of dividends, in accordance with the provisions of the Argentine Business Associations Law, it requires prior authorization from ENARGAS.

c) Restrictions on distribution of retained earnings

Under current Argentine legal requirements and CNV standards, 5% of each fiscal year net income must be appropriated into a legal reserve, provided that there is no unappropriated retained deficit. In such case, the 5% should be calculated on any excess of the net income over the unappropriated retained deficit. This appropriation is legally binding until such reserve equals 20% of the amount which results from the sum of the “Common stock nominal value” and the balance of “Cumulative inflation adjustment to common stock”.

In addition, the by-laws provide for the issuance of Profit Sharing Vouchers, as defined in Article 230 of the Argentine Business Associations Law, which Vouchers entitle all regular employees to share in 0.25% of the Company’s net income for each year.

Furthermore, the Company is subject to certain restrictions for the payment of dividends, which were contemplated in the new debt agreements. (For further information, see Note 6- Covenants).

9. LEGAL AND REGULATORY MATTERS

a) In April 1996, GdE filed a legal action against the Company 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 Company’s pipeline. TGS had denied such claim on the grounds that it owes no money to GdE as it acquired rights over these compressor plants as part of its overall purchase of the pipeline assets in the 1992 privatization. At the end of February 2000, a first judgment was pronounced upholding GdE's claim for Ps. 23 million plus interest (calculated at the "passive rate" set by the Argentine Central Bank Circular No. 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 the Company to pay the fair value of such plants based on an expert’s 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’s assessment is determined. In October 2001, the Company filed an ordinary and extraordinary appeal before the Supreme Court of Justice (“SCJ”) against such judgment. In August 2003, the SCJ sustained GdE’s claim and ordered TGS to pay the market price of the compressor plants at the date in which they were added to TGS assets (amount to be determined by a court appointed expert) plus interest and litigation expenses. The court-appointed experts assessed the price of the compressor plants at approximately Ps. 13.2 million. In September 2004, the court of original jurisdiction ordered TGS to pay the amount determined by the experts plus VAT, interests and court expenses. As of December 31, 2004, TGS recorded a provision of Ps. 60 million, which was estimated considering the amount determined by the judge. Thus, the Company has appealed the decision.

On January 14, 2004, TGS signed an agreement with the UNIREN through which TGS will carry out the expansion of the Cordillerano Pipeline. The cost of the expansion will be taken as a payment on account of the final amount to be paid as a consequence of the outcome of the lawsuit described above. Therefore, the cost of the works was recorded under “Other Liabilities”, offsetting the provision mentioned in the last paragraph. The Argentine Government owns such assets and granted their right of use to TGS, who will have to operate and maintain such assets until expiration of the License. On July 29, 2004, the Executive Branch, through Decree No. 959/04, ratified the agreement mentioned above.

b) As of the date of issuance of these consolidated interim 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 five-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 fulfil 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 the amounts paid.

On October 7, 1996, the Executive Branch, through Decree No. 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 an administrative claim against GdE-ENARGAS requesting reimbursement 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. As of March 31, 2005 the amount of such reimbursement is approximately Ps. 4.2 million. The Company expects to fully recover the amounts paid, based on its rights derived from the License.

c) The Company is a party to certain claims brought by the Tax Bureau of the Provinces of Río Negro and La Pampa pursuing the collection of stamp taxes which, according to the tax claim, would be applicable over gas transportation contracts and services offer letters between TGS and its shippers. The amount claimed totals Ps. 506 million (including fines and interest calculated at the date of each claim).

In both cases, TGS filed administrative appeals before the Tax Bureau of each province. Afterwards, the Company filed a declaratory action before the SCJ, requesting the court to rule regarding the legitimacy of the Tax Bureaus claims. The SCJ granted injunctions to prevent the Provinces from attempting to collect the aforementioned taxes until a final ruling is issued on the subject. At the date of the issuance of these consolidated interim financial statements, the Tax Bureau of Río Negro has rejected the appeals filed by TGS. The Company is now awaiting a final ruling from the SCJ.

Notwithstanding the above, the Company's management considers that the transportation contracts and offers are not subject to the provincial stamp taxes mentioned above. Management believes that if the contracts were reached by these taxes, this circumstance should be considered as a change in the interpretation of the tax law, and its impact should be reflected in a tariff adjustment according to relevant regulations which permit such process. ENARGAS has stated that the claims for stamp tax lack merit and are therefore unlawful.

Similar claims were filed by the Tax Bureaus of Santa Cruz, Chubut and Neuquén. Additionally, there is also a stamp tax claim from the Tax Bureau of Neuquén related to the Share Transfer Contract subscribed in the privatization of GdE and the Technical Assistance Agreement.

In April 2004, the SCJ declared inadmissible the Province of Santa Cruz's tax claims. This decision by the Supreme Court sets a material judicial precedent for the resolution of the rest of the claims, which are similar to the one filed by the Province of Santa Cruz.

On June 7, 2004, the Provincial Executive Branch of Neuquén issued Decrees N° 1,133 and 1,134 which upheld the appeals filed by TGS in connection with the contracts transferred by GdE and the Technical Assistance Agreement, making void the provincial Tax Bureau's claims in those cases. Both Decrees were presented in the legal files of the proceedings and a final decision by the SCJ is still pending.

In July 2004, the Tax Bureau of the Province of Chubut withdrew its administrative motions through Resolution N° 198/04, in view of the SCJ pronouncement. This Resolution was ratified in August 20, 2004, through Resolution N° 143 of the Ministry of Economy and Credit of the Province of Chubut, which granted the appeals filed by TGS.

d) In the framework of the Tax Agreement subscribed by the National Government and the Provinces in 1993, and as from the enactment of provincial Law No. 11,490, NGL sales benefited from the turnover tax exemption in the province of Buenos Aires. In September 2003, the Tax Bureau of the Province of Buenos Aires, through overruling Resolution N° 4,560/3, denied the exemption and requested the payment of the tax related to revenues accrued as from the year 2002. In October 2003, TGS filed an administrative appeal before the Tax Court of the Province of Buenos Aires, the resolution is still pending as of the date of the issuance of these consolidated interim financial statements. In November 2004, TGS was served notice of the starting of a process of liability assessment. As of March 31, 2005, TGS recorded a provision of Ps. 13 million in connection with this issue.

e) In June 2004, the ENARGAS fined TGS for Ps. 1.9 million (including interest) in connection with the delayed payment of the Easement Contribution Fund. Although a provision was recorded for the amount, TGS filed an appeal against this penalty.

f) On October 21, 2002, the Administración Federal de Ingresos Públicos (the Argentine Internal Revenue Service or "AFIP") formalized a claim against TGS through a liability assessment of Ps. 5.6 million (including interest) related to the omission of contributions to the Registro Nacional de Seguridad Social (the Argentine Social Security Bureau) in connection with personnel that the AFIP considered fully employed by TGS. In order to be able to file an appeal before the AFIP, the Company had to deposit the amount claimed (recorded under Other current receivables), which would be reimbursed to TGS in case the Company receives a favorable ruling. In December 2004, the Cámara Federal de Seguridad Social (Social Security Federal Chamber) ruled in favor of TGS, instructing the AFIP to reimburse the deposited amount to TGS. Considering the fact that AFIP didn´t appeal the sentence mentioned above, as of March 31, 2005, TGS booked the reversal of the allowance in "Other expenses, net" .

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

Although no assurances can be given, the Company believes there are meritorious defenses, which will be asserted vigorously to challenge claims. If the potential loss from the claim at proceeding is considered probable and the amount can be reasonably estimated, liability recorded. Management believes that possible liabilities from these claims in excess of amounts already accrued will not have a mate adverse effect on the Company's consolidated financial position or results of operations.

10. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

In late 1992, TGS entered into the Technical Assistance Agreement with Enron Pipeline Company Argentina S.A. ("EPCA"), in compliance with the provisions of the Bid Package and the Transfer Contract. The term of the Technical Assistance Agreement is for eight years from December 28, 1992, renewable automatically upon expiration for additional eight-year periods. The Settlement Agreement mentioned in Note 1 includes a term which provides for the assignment of the Technical Assistance Agreement in favor of Petrobras Energía. This transfer, which was approved by ENARGAS in June 2004, was carried out on July 15, 2004. As from that date, Petrobras is in charge of providing 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 in compliance with certain 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.

As of March 31, 2005 and December 31, 2004, the outstanding balance corresponding to senior management compensations amounted to Ps. 135 and Ps. 108 respectively. On the other hand, the accrued amount for such compensations as of March 31, 2005 and 2004 was Ps. 72 and Ps. 32 respectively.

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b.,
except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

The detail of significant outstanding balances for transactions entered into by TGS and its related parties as of March 31, 2005 and 2004 is as follows:

	March 31, 2005		**December 31, 2004**	
Company	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Controlling shareholders:				
EPCA	-	-	20	-
CIESA	37	-	37	-
Petrobras Energía	5,853	1,593	5,223	5,967
Petrobras	8,562	-	27,073	-
Main affiliates-significant influence:				
Link	259	-	173	-
TGU	103	-	52	-
EGS	182	4	3,449	1,181
Other related companies:				
Área Santa Cruz II U.T.E.	137	-	134	-
Quintana y Otros U.T.E.	633	-	946	-
Refinor S.A.	811	-	595	-
WEB S.A.	606	-	915	-
Petrolera Santa Fe S.A.	80	-	80	-
Total	**17,263**	**1,597**	**38,697**	**7,148**

The detail of significant transactions with related parties for the three-month periods ended March 31, 2005 and 2004 is as follows:

Three-month period ended March 31, 2005

	Revenues						
Company	Gas transportation	NGL production and commercialization	Other services	Gas purchase	Salaries and wages	Compensation for technical assistance	Revenues for administrative services
Controlling shareholders:							
EPCA	-	-	-	-	3	-	21
CIESA	-	-	-	-	-	-	31
Petrobras Energía	6,527	5,832	3,988	155	-	7,875	-
Petrobras	-	80,487	-	-	-	-	-
Main affiliates-significant influence:							
Link	-	-	214	-	-	-	-
TGU	-	-	164	-	-	-	-
EGS	-	-	307	-	-	-	-
Other related companies:							
Refinor S.A.	-	-	476	-	-	-	-
Quintana y Otros U.T.E.	775	-	-	-	-	-	-
WEB S.A.	747	-	-	-	-	-	-
Área Santa Cruz II U.T.E.	-	-	337	-	-	-	-
Total	8,049	86,319	5,486	155	3	7,875	52

(Amounts stated in thousands of constant Argentine pesos as described in Note 2.b.,
except for per share and per ADS amounts in constant Argentine pesos or where otherwise indicated)

Three-month period ended March 31, 2004

Company	Revenues: Gas transportation	Revenues: NGL production and commercialization	Revenues: Other services	Gas purchase	Salaries and wages	Compensation for technical assistance	Revenues for administrative services
Controlling shareholders:							
EPCA	-	-	-	-	93	8,637	21
CIESA	-	-	-	-	-	-	31
Petrobras Energía	6,190	8,353	4,062	-	-	-	-
Petrobras	-	110,843	-	-	-	-	-
Main affiliates-significant influence:							
Link	-	-	207	-	-	-	-
TGU	-	-	349	-	-	-	-
Other related companies:							
Petrolera Santa Fe S.A.	-	-	-	158	-	-	-
Refinor S.A.	-	-	551	-	-	-	-
Quintana y Otros U.T.E.	777	-	-	-	-	-	-
WEB S.A.	745	-	-	-	-	-	-
Área Santa Cruz II U.T.E.	-	-	317	-	-	-	-
Total	7,712	119,196	5,486	158	93	8,637	52

11. SUBSIDIARY 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 remaining 0.02% is held by EPCA. On October 22, 1998, the Governmental Regulatory Agency of Corporations approved the incorporation of this company.

On February 16, 1999, the regulatory agency (The Federal Communication Bureau), through Resolution No. 3,468, granted a 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 rights for most of the frequencies necessary for its operations. On 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. pipeline. The connection pipeline will be extended from Buchanan, located in the high-pressure ring that surrounds the city of Buenos Aires, 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 remaining 51%. Total common stock amounts to Ps. 12.

TGU:

On October 3, 2003, the corporate name of the subsidiary company was changed from Isonil to Transportes y Servicios de Gas en Uruguay S.A., which was registered with the Uruguayan National Board of Trade.

In September 2002, TGS invested Ps. 5 in the acquisition of a 49% equity interest in TGU, a company incorporated in Uruguay. The company's corporate purpose is the rendering of services of operation, inspection, and assistance in case 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. This company renders operation and maintenance services to Cruz del Sur S.A. pipeline in the Uruguayan pipeline tranche.

EGS:

In September 2003, EGS, a company registered in Argentina, was incorporated. The common stock of EGS amounts to Ps. 12, and the ownership is distributed between TGS (49%) and TGU (51%). The main business of EGS is the construction, ownership and operation of the pipeline which will connect TGS's main pipeline system in the Province of Santa Cruz with a delivery point on the border with Chile.

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

EXHIBIT A

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND 2004

PROPERTY, PLANT AND EQUIPMENT, NET

(Stated in constant thousands of Argentine pesos as described in Note 2.b.)

	2005												2004
	Original Cost					Depreciation							
									Expense for the period				
Main Account	Beginning of the year	Additions	Retirements	Transfers	End of period	Accumulated at the beginning of the year	Retirements	Transfers	Amount	Rate %	Accumulated at the end of the period	Net book value	Net book value
Pipelines	3,194,734	-	-	4,860	3,199,594	567,555	-	-	19,339	(1) 2.2	586,894	2,612,700	2,681,651
Compressor plants	1,050,128	-	-	7,605	1,057,733	314,463	-	-	10,253	(1) 3.3 a 25	324,716	733,017	730,654
Other industrial plants	104	-	-	30	134	17	-	-	1	(1) 3.3	18	116	84
Stations of regulation and/or measurement of pressure	108,537	-	-	288	108,825	33,991	-	-	1,070	(1) 4	35,061	73,764	76,853
Other technical installations	16,534	-	-	-	16,534	8,412	-	-	373	(1) 6.7	8,785	7,749	9,020
Subtotal assets related to gas transportation service	4,370,037	-	-	12,783	4,382,820	924,438	-	-	31,036	-	955,474	3,427,346	3,498,262
Assets related to gas upstream service	117,024	-	-	210	117,234	48,285	-	-	1,955	2.2 a 25	50,240	66,994	72,995
Assets related to NGL production and commercialization service	450,333	-	-	6,519	456,852	207,115	-	-	5,759	(1) 5.9	212,874	243,978	257,575
Lands	5,627	-	-	-	5,627	-	-	-	-	-	-	5,627	5,627
Buildings and civil constructions	131,500	-	-	6,722	138,222	36,148	-	-	1,207	2	37,355	100,867	96,846
Installation in buildings	4,735	-	-	-	4,735	1,432	-	-	55	4	1,487	3,248	3,375
Machinery, equipment and tools	31,979	51	-	-	32,030	21,873	-	-	619	6.7 a 20	22,492	9,538	8,982
Computers and Telecommunication systems	219,116	-	-	717	219,833	123,269	-	-	3,020	6.7 a 20	126,289	93,544	105,689
Vehicles	13,898	4	-	-	13,902	11,406	-	-	201	10 y 20	11,607	2,295	1,992
Furniture	12,633	-	-	-	12,633	10,792	-	-	46	10	10,838	1,795	1,919
Capitalization of exchange loss (1)	177,272	-	-	-	177,272	23,544	-	-	1,882	(1) 4.2	25,426	151,846	159,369
Materials	102,108	8,621	4,292	(507)	105,930	650	-	-	-	-	650	105,280	93,001
Line pack	13,679	-	-	-	13,679	1,614	-	-	-	-	1,614	12,065	12,065
Works in progress	73,190	20,044	-	(26,444)	66,790	-	-	-	-	-	-	66,790	55,294
Advances to suppliers of property, plant and equipment	5,585	14,416	-	-	20,001	-	-	-	-	-	-	20,001	7,301
Total 2005	5,728,716	43,136	4,292	-	5,767,560	1,410,566	-	-	45,780		1,456,346	4,311,214	
Total 2004	5,638,095	19,720	3,032 (2)	-	5,654,783	1,229,627	164	-	45,028		1,274,491		4,380,292

(1) See Note 2.h).

Rafael Fernández Morandé
President

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY **EXHIBIT B**

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND 2004

INTANGIBLE ASSETS, NET

(stated in thousands of constant Argentine pesos as described in Note 2.b.)

		2005										2004
		Original cost				Amortization						
								Expense for the period				
Deferred charges		Beginning of the year	Additions	Decreases	End of the period	Accumulated at beginning of the year	Decreases	Amount	Rate %	Acummulated at the end of the period	Net book value	Net book value
Organization, pre-operating costs, cancellation costs of commitments assumed under the Transfer Contract and other costs	(1)	66,974	-	-	66,974	56,628	-	2,587 (3)	(4)	59,215	7,759	18,104
Settlement costs of hedges of anticipated transactions	(2)	-	-	-	-	-	-	-	(4)	-	-	10,327
Global Programs and notes issuances costs		-	-	-	-	-	-	-	(4)	-	-	22,557
License acquisition costs		1,173	-	-	1,173	234	-	59 (3)	(4)	293	880	1,153
Total 2005		68,147	-	-	68,147	56,862	-	2,646		59,508	8,639	
Total 2004		125,471	3,932	-	129,403	72,905	-	4,357		77,262		52,141

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

Rafael Fernández Morandé
President

EXHIBIT C

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND 2004

NON CURRENT INVESTMENTS

(Stated in thousands of Argentine pesos, as described in Note 2.b.)

	2005										2004
	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 (loss) for the year	Shareholder's equity	% of Common Stock	Book value
Gas Link S.A.	$1	5,880	3,315	411 (1)	Pipeline´s construction and operation services	12/31/04	6,683 (2)	626	12,715	49.00	195 (1)
Transporte y Servicios de Gas en Uruguay S.A.	Ps. Uru. 1	196,000	5	220 (3)	Maintenance	12/31/04	28	76	394	49.00	206 (3)
Emprendimientos de Gas del Sur S.A.	$1	5,880	6	(79) (4)	Pipeline´s construction and operation services	12/31/04	12	(155)	(162)	49.00	(75) (4)
				552							326

(1) Includes the elimination of intercompany profits. See Note 2.f).
(2) Includes irrevocable capital contribution for Ps. 6,657 against future shares issuance.
(3) Includes the proportional participation in the "Currency translation adjustment" of the financial statements of the company.
(4) Disclosed in "Other Liabilities".

Rafael Fernández Morandé
President

EXHIBIT D

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004

CURRENT INVESTMENTS

(Stated in thousands of constant Argentine pesos as described in Note 2.b.)

	03/31/2005	12/31/2004
Government bonds in local currency	96	96
Mutual funds in local currency	34,428	8,010
Bank account in foreign currency	3,625	882
Bank account in local currency	2,200	8,550
Mutual funds in foreign currency	344,621	308,239
Total current investments	384,970	325,777

Rafael Fernández Morandé
President

EXHIBIT E

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND 2004

ALLOWANCES AND PROVISIONS

(Stated in thousands of Argentine pesos as described in Note 2.b)

Main account		Beginning of the year	Additions	Decreases	End of the period
Deducted from assets					
Allowance for write-down off of government bonds	2005	-	-	-	-
	2004	8,294	-	(4,343)	3,951
Allowance for doubtful accounts	2005	920	-	-	920
	2004	1,542	-	-	1,542
Allowance for deferred tax assets	2005	245,911	-	(36,281)	209,630
	2004	334,325	-	(41,470)	292,855
Included in liabilities					
Provision for contingencies (1)	2005	21,081	-	(5,814)	15,267
	2004	8,511	-	-	8,511

(1) Such provision is included under "Other liabilities".

Rafael Fernández Morandé
President

EXHIBIT F

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

COST OF SALES FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b.)

	2005	2004
Inventories at the beginning of the year (1)	5,501	5,454
Natural gas purchases (1)	32,397	33,540
Operating costs (Exhibit H)	80,087	78,081
Inventories at the end of the period (1)	(5,787)	(3,642)
Cost of sales	112,198	113,433

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

Rafael Fernández Morandé
President

EXHIBIT G

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEETS AS OF MARCH 31, 2005 AND DECEMBER 31, 2004

FOREIGN CURRENCY ASSETS AND LIABILITIES

(Stated in thousands of constant Argentine pesos as described in Note 2.b)

	03/31/05					12/31/04		
	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$	457	2.877	(1)	1,315	US$	2,578	7,577
Investments, net	US$	121,045	2.877	(1)	348,246	US$	105,179	309,121
Trade receivables, net	US$	14,178	2.877	(1)	40,790	US$	22,328	65,622
Other receivables	US$	23,331	2.877	(1)	67,123	US$	28,930	85,025
					457,474			467,345
NON CURRENT ASSETS								
Trade receivables	US$	7,506	2.877	(1)	21,594	US$	8,120	23,865
Other receivables	US$	2,933	2.877	(1)	8,438	US$	3,252	9,558
Property, plant and equipment, net	US$	3,560	2.877	(1)	10,242	US$	1,333	3,918
	XEU	667	3.7318	(1)	2,489	XEU	-	-
					42,763			37,341
					500,237			504,686
CURRENT LIABILITIES								
Accounts payable	US$	3,683	2.917	(2)	10,743	US$	6,293	18,747
Loans	US$	46,418	2.917	(2)	135,401	US$	49,707	148,077
Other liabilities	US$	222	2.917	(2)	648	US$	222	661
					146,792			167,485
NON CURRENT LIABILITIES								
Accounts payable	US$	6,645	2.917	(2)	19,383	US$	3,730	11,112
Loans	US$	857,560	2.917	(2)	2,501,502	US$	863,645	2,572,800
					2,520,885			2,583,912
					2,667,677			2,751,397

(1) Buying exchange rate as of March 31, 2005.
(2) Selling exchange rate as of March 31, 2005.

US$: United States of America dollars
XEU: Euros

Rafael Fernández Morandé
President

Exhibit H

TRANSPORTADORA DE GAS DEL SUR S.A AND ITS SUBSIDIARY

INFORMATION REQUIRED UNDER ART 64, PARAGRAPH I, CLAUSE b) BUSINESS ASSOCIATIONS LAW
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2005 AND 2004

(Stated in thousands of constant Argentine pesos as described in Note 2.b.)

	2005						2004
		Operating Costs					
Accounts	Total	Regulated Activities	Non Regulated Activities	Administrative expenses	Selling expenses	Financial expenses	Total
Salaries, wages and other contributions	9,412	5,160	2,143	1,483	626	-	9,665
Social security taxes	2,244	1,198	426	478	142	-	2,150
Compensation to Directors and Statutory Audit Committee	86	-	-	86	-	-	48
Professional services fees	1,295	20	48	1,203	24	-	748
Technical operator assistance fees	7,875	3,071	4,804	-	-	-	8,636
Materials	987	341	646	-	-	-	980
Third parties services	1,042	291	554	197	-	-	758
Telecommunications and post expenses	464	48	32	369	15	-	463
Rents	69	12	49	7	1	-	143
Transports and freight	391	230	159	2	-	-	390
Easements	1,773	1,773	-	-	-	-	1,688
Offices supplies	178	22	16	138	2	-	114
Travels	202	96	41	45	20	-	251
Insurance	2,619	1,391	896	332	-	-	2,671
Property, plant and equipment maintenance	4,780	2,978	1,711	89	2	-	5,815
Depreciation of property, plant and equipment	45,780	34,660	10,528	592	-	-	45,028
Amortization of intangible assets	2,646	2,345	301	-	-	-	4,357
Taxes and contributions	14,668	1,195	349	10	13,114	-	9,332
Advertising	23	-	-	-	23	-	36
Banks expenses	60	-	-	53	7	-	66
Interests expenses	50,113	-	-	-	-	50,113	54,961
Foreign exchange gain	(57,074)	-	-	-	-	(57,074)	(68,866)
Other expenses and financial charges	3,104	-	-	-	-	3,104	2,660
Costs for services rendered to third parties	2,384	-	2,384	-	-	-	288
Transactions among business segments	-	(1,522)	1,522	-	-	-	-
Other expenses	545	128	41	263	113	-	1,006
Total 2005	95,666	53,437	26,650	5,347	14,089	(3,857)	
Total 2004		53,350	24,731	5,893	8,909	(9,495)	83,388

Rafael Fernández Morandé
President

EXHIBIT I

TRANSPORTADORA DE GAS DEL SUR S.A. AND ITS SUBSIDIARY

CONSOLIDATED INTERIM BALANCE SHEET AS OF MARCH 31, 2005

DETAIL OF MATURITIES OF INVESTMENTS, RECEIVABLES AND LIABILITIES

(Stated in thousands of Argentine constant pesos as described in Note 2.b.)

	Investments (1)	Receivables (2)	Debt (3)	Other liabilities (4)
Without specified maturity	-	180,239	-	57,628
With specified maturity				
* Past due				
Until 03-31-04	-	1,076	1,647	-
From 04-01-04 to 06-30-04	-	298	-	-
From 07-01-04 to 09-30-04	-	6,420	-	-
From 10-01-04 to 12-31-04	-	848	-	-
From 01-01-05 to 03-31-05	-	8,839	-	-
Total past due	-	17,481	1,647	-
* Non-due:				
From 04-01-05 to 06-30-05	384,970	173,257	39,279	85,855
From 07-01-05 to 09-30-05	-	1,083	31,600	874
From 10-01-05 to 12-31-05	-	5,670	31,573	1,069
From 01-01-06 to 03-31-06	-	3,509	31,532	2,380
During 2006 (rest of the year)	-	6,031	100,268	2,844
During 2007	-	4,585	139,485	4,071
During 2008	-	2,354	274,923	4,415
During 2009	-	2,111	350,062	4,786
From 2010 onwards	-	7,104	1,636,764	3,267
Total non-due	384,970	205,704	2,635,486	109,561
Total with specific maturity	384,970	223,185	2,637,133	109,561
Total	384,970	403,424	2,637,133	167,189

(1) Includes mutual funds and bank accounts. Such investments bear floating interest rates.

(2) Includes trade receivables and other receivables, without the allowance for doubtful accounts. Said credits do not bear interests, except for Ps. 20,386 which bear interests at 5.52% semiannually rate and Ps. 49,795 which bear interests at 7% annualy rate. From the total credits without specific maturity, Ps. 3,173 correspond to current assets and Ps. 177,066 to non current assets.

(3) Past due financial loans corresponds to existing debt obligations that were not exchanged for new debt obligations as it is mentioned in Note 6.

(4) Corresponds to the total non financial liabilities, except for provisions for contingencies. Other liabilities without specified maturity correspond 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 reviewed the accompanying consolidated interim balance sheets of Transportadora de Gas del Sur S.A. and its subsidiary as of March 31, 2005 and 2004 and the related consolidated interim statements of income, of changes in shareholders' equity and of cash flows for each of the three-month periods ended March 31, 2005 and 2004. The preparation and issuance of these interim financial statements are the responsibility of the Company's management.

2. We conducted our review in accordance with standards established by Technical Pronouncement No. 7 of the Argentine Federation of Professional Councils in Economic Sciences. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

3. As indicated in Notes 2.b and 2.g, the Company has discontinued the restatement of financial statements into constant currency as from March 1, 2003 and has recorded deferred income tax assets and liabilities on a non-discounted basis as required by resolutions issued by the *Comisión Nacional de Valores* ("CNV"). Since generally accepted accounting principles in Argentina require companies to prepare price-level restated financial statements through September 30, 2003 and to recognize deferred taxes on a discounted basis, the application of the CNV resolutions represents a departure from generally accepted accounted principles in Argentina.

4. 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 7., 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 in the process of renegotiating certain terms of the License with the National Government.

5. 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 paragraph 4. 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 carrying values.

6. Based on our review and the examination of the consolidated financial statements of the Company for the years ended December 31, 2004 and 2003, on which we issued our report dated February 3, 2005, containing exceptions due to the circumstances mentioned in paragraphs 3 to 5, we report that:

   a) the consolidated interim financial statements of Transportadora de Gas del Sur S.A. as of March 31, 2005 and 2004 as mentioned in paragraph 1, are prepared in accordance with auditing standards generally accepted in the Autonomous City of Buenos Aires, considering all significant facts and circumstances that we are aware of, and that in such matter we do not have other observations, apart from those mentioned in paragraphs 3 to 5;

   b) the information included for comparative purposes as of December 31, 2004, derives from the audited Consolidated Financial Statements of Transportadora de Gas del Sur S.A. at such date.

7. The accompanying consolidated interim financial statements are presented on the basis of accounting principles generally accepted in Argentina, except for the departure referred to in paragraph 3, which differ from accounting principles generally accepted in other countries, including the United States of America.

May 5, 2005
Autonomous City of Buenos Aires,

PRICE WATERHOUSE & CO. S.R.L.

By (Partner)
Hector A. Lopez