



***Condensed Interim Consolidated
Financial Statements
as of June 30, 2014***

**ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2014 ⁽¹⁾**

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's consolidated financial statements as of June 30, 2014 and 2013 and for the year ended December 31, 2013. These condensed interim consolidated financial statements have been prepared in accordance with and complied with NIC 34 issued by the International Accounting Standards Board ("IASB") adopted by the *Comisión Nacional de Valores* ("CNV") through the provisions of Title IV, Chapter I, Section I, Article 1 of the Rules of the CNV ("New Text 2013" or "NT 2013").

The Company's consolidated financial statements for the six-month periods ended June 30, 2014 and 2013 have been subject to a limited review performed by Price Waterhouse & Co. S.R.L.

1. Results of Operations

The following table presents a summary of the consolidated results of operations for the six-month periods ended June 30, 2014 and 2013:

	2014	2013	Variation
	(in millions of pesos)		
Net revenues	2,201.5	1,300.9	900.6
Gas Transportation	360.8	332.9	27.9
Natural Gas Liquids ("Liquids") production and commercialization	1,692.2	910.3	781.9
Other services	148.5	57.7	90.8
Cost of sales	(1,213.6)	(688.7)	(524.9)
Operating costs	(1,094.6)	(573.9)	(520.7)
Depreciation	(119.0)	(114.8)	(4.2)
Gross profit	987.9	612.2	375.7
Administrative and selling expenses	(400.7)	(262.1)	(138.6)
Other operating results	4.6	15.1	(10.5)
Operating profit	591.8	365.2	226.6
Net financial results	(542.4)	(217.5)	(324.9)
Share of profit from associates	2.6	-	2.6
Income tax expense	(14.7)	(54.4)	39.7
Total comprehensive income	37.3	93.3	(56.0)

⁽¹⁾ Not covered by Auditor's Limited Review, except for items 4, 5 and 7.

Overview

For the six-month period ended June 30, 2014, the Company has reported a net income of Ps. 37.3 million, in comparison to the total comprehensive income of Ps. 93.3 million reported in the first half 2013.

The Ps. 56.0 million lower net income in the first half of 2014 is primarily attributable to the overall negative impact on net financial results mainly due to the loss generated by the impact of the foreign exchange variation on TGS' U.S. dollar denominated net liability position which includes the financial debt obtained to finance the acquisition of its fixed assets (90% of which corresponds to the Natural Gas Transportation business segment). In addition, as a result of the delay in the implementation of the tariff increase, the increase in fixed costs derived from the Natural Gas Transportation business segment, and variable costs from the Production and Commercialization of Natural Gas Liquids ("Liquids") business segment, the negative impact mentioned before was only partially offset by the positive variation in the operating profit of Ps. 226.6 million.

Net revenues

Natural Gas Transportation

The Natural Gas Transportation business segment represented approximately 16% and 26% of TGS' total revenues during the first half 2014 and 2013, respectively. Following the implementation of the Public Emergency Law in 2002, TGS has received only an increase for its regulated natural gas transportation tariff. Natural Gas Transportation revenues are derived mainly from firm contracts, under which pipeline capacity is reserved and paid for regardless of actual usage by the shipper. The Company also provides interruptible natural gas transportation services subject to availability of the pipeline capacity. In addition, TGS renders operation and maintenance services of the Natural Gas Transportation facilities, which belong to certain gas trusts (*fideicomisos de gas*) created by the Argentine Government to expand the capacity of the Argentine natural gas transportation pipeline system.

Under the framework of the 2008 Transitional Agreement between the UNIREN and TGS which was ratified by Presidential Decree No. 1,918/09, ENARGAS (the National Gas Regulatory Body) published its Resolution No. I-2852 on April 7, 2014, which established the new rate schedules, including increases to the natural gas firm and interruptible transportation rates. Although the 2008 Transitional Agreement establishes that the tariff increase is effective retroactively starting September 1, 2008, the new rate schedules only establish a progressive 8% increase starting April 1, 2014, an accumulated 14% increase starting June 1, 2014 and an accumulated 20% increase starting August 1, 2014.

Natural Gas Transportation revenues for the first half of 2014 increased by Ps. 27.9 million compared to the same period of 2013. The increase is mainly due to: (i) the impact of the new rate schedules of natural gas transportation tariffs approved by Resolution No. I-2852, which not only does not comply with the provisions of the 2008 Transitional Agreement but also is not able to compensate the sustained increase in operating costs, (ii) higher provision of interruptible services and, (iii) more services of natural gas transportation intended for export.

Production and Commercialization of Liquids

Liquids Production and Commercialization revenues accounted for approximately 77% and 70% of the total revenue in the first half 2014 and 2013, respectively. Liquids Production and Commercialization consists of natural gas processing activities conducted at the Cerri Complex, located near the city of Bahía Blanca, Province of Buenos Aires, where all of TGS's main natural gas pipelines connect, and where ethane, propane, butane and natural gasoline are recovered. TGS sells its production of liquids in the domestic and the international markets. TGS sells part of its production of propane and butane to liquids marketers in the domestic market. The remainder of these products and all of its natural gasoline are exported at current international market prices. Ethane is entirely sold in the domestic market to PBB-Polisur S.A. at agreed prices.

Liquids Production and Commercialization segment revenues increased Ps. 781.9 million in the first half of 2014 when compared to the same period last year. This increase is mainly due to: (i) the variation in the foreign exchange rate of the Argentine peso related to the U.S. dollar, (ii) better sale prices for propane, butane and natural gasoline as a result of the increase in the international reference prices in the first half of 2014, (iii) the impact of the annual adjustment of the price of ethane and (iv) an increase in the volume sold by TGS' own account.

Other services

The Company renders "midstream" services that mainly consist of 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 also include telecommunication services rendered by Telcosur S.A., a company controlled by TGS.

Other Services revenues increased by Ps. 90.8 million in the first half of 2014 when compared to the first half of 2013 primarily due to: (i) the impact of the foreign exchange rate as well as additional treatment and compression of natural gas services rendered, (ii) higher revenues derived from the operation and maintenance services, (iii) higher revenues from management services rendered to the gas trust for the realization of the expansions in the pipeline system, and (iv) higher revenues from telecommunication services.

Cost of sales and administrative and selling expenses

Cost of sales and administrative and selling expenses increased approximately Ps. 663.5 million in the first half of 2014 when compared to the same period last year. This variation is mainly attributed to an increase in variable production costs in the Liquids segment mainly due to the increased price of natural gas, purchased as Replenishment Thermal Plant ("RTP") for the Cerri Complex. In addition, there were increases in: (i) tax on exports due to the variation of the foreign exchange rate, (ii) labor costs and other fixed costs, and (iii) turnover tax.

Other operating results

Other operating results for the first half of the year decreased by Ps. 10.5 million, in comparison to the same period of 2013. This variation is mainly attributable to the provisions for contingencies accruals recorded during the first half of 2013.

Net financial expense

Net financial expense increased by 324.9 million at the close of the first half of 2014 compared to the amount reported in the same period last year. The breakdown of net financial expense is as follows:

	2014	2013
	(in millions of pesos)	
Financial income		
Interest income	163.6	39.2
Foreign exchange gain	175.6	44.3
Subtotal	339.2	83.5
Financial expenses		
Interest expense	(166.1)	(102.6)
Foreign exchange loss	(622.0)	(184.8)
Derivative financial instrument results	(69.3)	-
Other financial charges	(28.2)	(17.1)
<i>Less: amounts capitalized on qualifying assets</i>	4.0	3.5
Subtotal	(881.6)	(301.0)
Total	(542.4)	(217.5)

This increase was mainly related to the Ps. 282.3 million increase in the foreign exchange loss which was generated by approximately a 25% higher devaluation of the local currency in the first half of 2014 and the Ps. 69.3 million of negative results in derivative financial instruments. The foreign exchange loss was offset with the improvement in the performance of TGS financial position during the first half of 2014.

Income tax expense

For the first half of 2014, TGS reported a Ps. 14.7 million income tax expense, compared to Ps. 54.4 million reported in the same period of 2013. The positive variation was mainly due to the lower income before income tax in the first half 2014.

2. Liquidity

The Company's primary sources and application of funds during the six-month periods ended June 30, 2014 and 2013 are shown in the table below:

	2014	2013	Variation
	(in millions of pesos)		
Cash flows provided by operating activities	629.7	355.1	274.6
Cash flows used in investing activities	(128.3)	(88.3)	(40.0)
Cash flows used in financial activities	(762.4)	(263.7)	(498.7)
Net (decrease) / increase in cash and cash equivalents	(261.0)	3.1	(264.1)
Cash and cash equivalents at the beginning of the year	893.8	693.0	200.8
Foreign exchange gains on Cash and cash equivalents	42.0	19.1	22.9
Cash and cash equivalents at the end of the period	674.8	715.2	(40.4)

The net increase in cash flows provided by operating activities was Ps. 274.6 million and was mainly related to additional cash flow generated by the Liquids Production and Commercialization segment.

Finally, the variation in the Cash flows used in financial activities was mainly due to the cancellation of the principal of TGS' financial debt in May 2014. This effect was offset by the dividend payment approved by the Board of Directors during its meeting of December 6, 2012, following the resolutions taken during the Ordinary Shareholders' Meeting held on April 12, 2012.

3. Second Quarter 2014 vs. Second Quarter 2013

The following table presents a summary of the consolidated results of operations for the second quarters ended June 30, 2014 and 2013:

	2014	2013	Variation
	(in millions of pesos)		
Net revenues	961.4	475.2	486.2
Natural Gas transportation	192.0	161.3	30.7
Liquids production and commercialization	698.3	284.5	413.8
Other services	71.1	29.4	41.7
Cost of sales	(584.7)	(299.4)	(285.3)
Operating costs	(524.1)	(241.3)	(282.8)
Depreciation	(60.6)	(58.1)	(2.5)
Gross profit	376.7	175.8	200.9
Administrative and selling expenses	(136.2)	(70.4)	(65.8)
Other income / (expense), net	2.5	(10.2)	12.7
Operating profit	243.0	95.2	147.8
Share of profit from associates	3.7	0.1	3.6
Net financial results	(76.2)	(123.6)	47.4
Income tax (expense) / income	(55.5)	7.5	(63.0)
Total comprehensive income / (loss)	115.0	(20.8)	135.8

Total Net Revenues increased Ps. 486.2 million in the second quarter of 2014, when compared to the second quarter of 2013. Net revenues from Natural Gas Transportation business segment increased by Ps. 30.7 million in the second quarter 2014, when compared with the same period of the previous year. This increase is mainly explained by: (i) more services of natural gas transportation intended for export, (ii) the impact of the new rate schedules for natural gas transportation tariffs (that had remained unchanged for fourteen years) approved by Resolution No. I-2852, which not only does not comply with the provisions of the 2008 Transitional Agreement, but also does not compensate the sustained increase in operating costs, and (iii) higher provision of interruptible services.

The Production and Commercialization of Liquids segment revenue increased by Ps. 413.8 million in the second quarter of 2014 compared with the same period of the previous year, mainly due to: (i) an increase in the volumes sold, (ii) an increase in the natural gas processing on TGS's own account, (iii) an increase in the foreign exchange rate of the Argentine peso compared to the U.S. dollar, and (iv) an increase in the international reference prices.

Other Services revenues increased by Ps. 41.7 million in the second quarter of 2014 compared to the same period of 2013, primarily due to (i) management services rendered to the gas trust for the realization of the expansions in the pipeline system, (ii) operation and maintenance services, (iii) higher compression and treatment of natural gas services, and (iv) the impact of the foreign exchange rate and the price adjustments obtained over the services of treatment and compression of natural gas.

Cost of sales and administrative and selling expenses were Ps. 720.9 million in the second quarter of 2014, representing a Ps. 351.1 million increase from the same period of 2013. This variation is mainly attributed to: (i) the increase of Ps. 233.9 million in variable production costs in the Liquids segment, (ii) higher tax on exports by Ps. 43.0 million, (iii) higher labor costs by Ps. 32.7 million, and (iv) higher turnover tax by Ps. 12.7 million.

Other operating income recorded in the second quarter of 2014 increased by Ps. 12.7 million compared to the same quarter of the previous year, mainly due to lower provisions accruals recorded during the second quarter of 2014.

Net financial expense was Ps. 76.2 million in the second quarter of 2014, compared to Ps. 123.6 million reported in the same period of 2013. This positive variation of Ps. 47.4 million is mostly attributable to a lower foreign exchange loss due to the lower variation in the foreign exchange rate and TGS' lower U.S. dollar denominated net liability position after the cancellation of principal in May 2014.

4. Consolidated Statements of Financial Position

Summary of the consolidated statements of financial position information as of June 30, 2014 and 2013:

	(in thousands of pesos)	
	As of June 30,	
	2014	2013
Non-current assets	4,343,313	4,182,112
Current assets	1,566,949	1,178,040
Total assets	5,910,262	5,360,152
Shareholders' equity	2,060,419	2,008,826
Minority interest	5	1
Total shareholders equity	2,060,424	2,008,827
Non-current liabilities	2,942,464	2,334,889
Current liabilities	907,374	1,016,436
Total liabilities	3,849,838	3,351,325
Total	5,910,262	5,360,152

5. Consolidated Statements of Comprehensive Income Summary

Summary of the consolidated statements of comprehensive income information for the six-month periods ended June 30, 2014 and 2013:

	(in thousands of Argentine pesos)		
	2014	2013	2012
Operating profit	591,904	365,162	274,263
Net financial results	(542,423)	(217,505)	(122,331)
Share of profit / (loss) from associates	2,596	(45)	317
Net income before income tax	52,077	147,612	152,249
Income tax expense	(14,735)	(54,361)	(53,654)
Total comprehensive income for the period	37,342	93,251	98,595
Total comprehensive income attributable to:			
Owners of the Company	37,340	93,251	(53,654)
Non-controlling interests	2	-	-
	37,342	93,251	(53,654)

6. Statistical Data (Physical Units)

	Six-month period ended June 30,					Second quarter ended June 30,				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
Gas Transportation										
Average firm contracted capacity (in billions of cubic feet per day ("Bcf/d"))	2.87	2.90	2.91	2.83	2.81	2.84	2.89	2.91	2.84	2.84
Average daily deliveries (in Bcf/d)	2.29	2.27	2.27	2.24	2.14	2.48	2.40	2.43	2.39	2.28
NGL production and commercialization										
• Production										
Ethane (in short tones)	169,998	180,100	171,490	180,267	168,000	77,200	74,898	78,144	66,972	56,666
Propane and butane (in short tones)	310,081	262,874	248,979	243,128	291,751	123,642	107,421	106,646	100,041	141,989
Natural Gasoline (in short tones)	53,642	52,951	54,828	50,126	60,332	22,992	21,002	23,713	20,552	30,174
• Local market sales (a)										
Ethane (in short tones)	169,998	180,100	171,490	180,267	168,000	76,794	74,898	78,144	66,972	56,666
Propane and butane (in short tones)	211,526	160,936	146,852	154,932	165,731	107,083	83,165	85,335	87,603	94,346
• Exports (a)										
Propane and butane (in short tones)	87,587	96,614	111,940	100,187	131,729	8,147	-	15,548	21,713	50,216
Natural Gasoline (in short tones)	55,511	54,878	59,501	49,829	52,643	26,960	26,421	33,994	17,932	19,363

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

7. Comparative ratios

	As of June 30,		
	2014	2013	2012
Liquidity (Current assets to current liabilities)	1.73	1.16	1.88
Shareholders' equity to total liabilities	0.54	0.60	0.66
Non-current assets to total assets	0.73	0.78	0.79

8. Other Information

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

	2014	2013	2012	2011	2010
January	4.13	3.10	2.78	4.79	2.16
February	4.20	2.56	2.75	4.45	2.14
March	4.58	2.82	2.88	3.90	2.60
April	5.14	3.04	2.63	4.50	2.59
May	6.45	2.91	2.62	3.10	2.50
June	5.57	2.60	2.20	3.22	2.50
July		3.06	2.30	3.14	2.93
August		3.35	2.27	3.20	2.75
September		3.80	2.12	2.85	2.78
October		4.15	1.90	3.20	3.16
November		4.36	1.92	2.80	3.95
December		3.80	2.22	2.75	4.61

9. Outlook

Under the framework of the 2008 Transitional Agreement between the UNIREN and TGS which was ratified by Presidential Decree No. 1,918/09, ENARGAS (the National Gas Regulatory Body) published its Resolution No. I-2852 on April 7, 2014, which established the new rate schedules, including increases to the natural gas firm and interruptible transportation rates. Although the Transitional Agreement establishes that the tariff increase is effective retroactively starting September 1, 2008, the new rate schedules only establish a progressive 8% increase starting April 1, 2014, an accumulated 14% increase starting June 1, 2014 and an accumulated 20% increase starting August 1, 2014. The Company filed a motion for reconsideration before ENARGAS due to the omission regarding the methodology to recover the increase that should have been effective as of September 1, 2008 following the provisions of the Transitional Agreement. In addition, TGS notified the National Government regarding the motion for reconsideration filed before ENARGAS, in order to obtain the necessary measures to be taken to fulfill with the sentence ruled by Argentine courts.

This transitional tariff increase represents the first increase received since 1999. Although this tariff increase represents an improvement over the prospect of achieving a comprehensive and final agreement, for the remainder of 2014, we will take the necessary steps in order to achieve the whole implementation of the Transitional Agreement. Moreover, we will also keep managing the expansion works in our pipeline system promoted by the Argentine Government under the Gas Trust Fund Program, which will not only bring us revenues related to the management of the works, but will increase our revenues related to the operation and maintenance of the assets owned by the Trust Funds as well. Within our goals we also contemplate the ongoing monitoring of the economic-financial situation that allows performing efficient management of resources.

As part of the negotiations with the UNIREN, our efforts will be focused on following the necessary steps aimed to sign the Integral License Renegotiation Agreement initialed by TGS in October 2011. Finally, we continue the negotiations with the National Government for the adjustment of the Charge for Access and Use (“CAU”) which has been created through Presidential Decree No. 180/05 to compensate TGS for the operation and maintenance of the natural gas transportation assets, mainly pipeline expansions owned by the Gas Trusts.

Within the scope of the Liquids business, our action will be aimed at ensuring the availability of natural gas for its processing at reasonable costs, we will work to minimize negative impacts derived from external factors and we will remain alert to seize feasible alternatives for the supply of natural gas.

With respect to the Other Services business segment, we will search for opportunities related to the rendering of midstream and telecommunications service.

During 2014, we intend to take measures to restrain operation and maintenance cost increases, without affecting the reliability and availability of the gas transportation system; we plan to strengthen the continuous improvement process in safety and occupational health by means of several actions -such as risk management standardization and systemization in pipelines, compressor plants and processing facilities-; and lastly, we are determined to go further ahead with the permanent technical training of our operations staff and strengthen it with new initiatives.

Autonomous City of Buenos Aires, July 29, 2014.

Ricardo I. Monge
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Stated in thousands of pesos as described in Note 3 except for basic and diluted earnings per share)

	Notes	For the three-month periods ended June, 30		For the six-month periods ended June, 30	
		2014	2013	2014	2013
Revenue from sales	8	961,399	475,241	2,201,538	1,300,974
Cost of sales	9.h.	(584,636)	(299,423)	(1,213,550)	(688,723)
Gross profit		<u>376,763</u>	<u>175,818</u>	<u>987,988</u>	<u>612,251</u>
Administrative expenses	9.i.	(36,962)	(29,850)	(69,867)	(56,711)
Selling expenses	9.i.	(99,236)	(40,540)	(330,784)	(205,399)
Other operating income / expenses	9.k.	<u>2,480</u>	<u>(10,211)</u>	<u>4,567</u>	<u>15,021</u>
Operating profit		<u>243,045</u>	<u>95,217</u>	<u>591,904</u>	<u>365,162</u>
Net financial results					
Financial income	9.j.	83,032	44,038	339,215	83,461
Financial expenses	9.j.	<u>(159,267)</u>	<u>(167,609)</u>	<u>(881,638)</u>	<u>(300,966)</u>
Total		<u>(76,235)</u>	<u>(123,571)</u>	<u>(542,423)</u>	<u>(217,505)</u>
Share of profit / (loss) from associates	11	3,698	91	2,596	(45)
Net income / (loss) before income tax		<u>170,508</u>	<u>(28,263)</u>	<u>52,077</u>	<u>147,612</u>
Income tax (expense) / income	14	(55,519)	7,468	(14,735)	(54,361)
Total comprehensive income / (loss) for the period		<u>114,989</u>	<u>(20,795)</u>	<u>37,342</u>	<u>93,251</u>
Total comprehensive income / (loss) attributable to:					
Owners of the Company		114,989	(20,795)	37,340	93,251
Non-controlling interests		-	-	2	-
		<u>114,989</u>	<u>(20,795)</u>	<u>37,342</u>	<u>93,251</u>
Weighted average of outstanding ordinary shares		794,495,283	794,495,283	794,495,283	794,495,283
Basic and diluted earnings / (losses) per share		0.14	(0.03)	0.05	0.12

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

Ricardo I. Monge
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2014 AND DECEMBER 31, 2013
(Stated in thousands of pesos as described in Note 3)

	Notes	<u>06/30/2014</u>	<u>12/31/2013</u>
ASSETS			
Non-current assets			
Property, plant and equipment	12	3,981,282	3,966,908
Loans granted to related parties	20	247,691	194,154
Investments in associates	10	3,136	3,596
Other financial assets at fair value through profit or loss	9.l	21,693	19,155
Deferred income tax assets	14	-	69
Other receivables	9.a.	50,506	47,829
Trade receivables	9.b.	39,005	38,136
Total non-current assets		<u>4,343,313</u>	<u>4,269,847</u>
Current assets			
Other receivables	9.a.	219,979	205,078
Inventories		19,281	7,356
Trade receivables	9.b.	393,246	418,583
Derivative financial instruments		-	26,500
Other financial assets at fair value through profit or loss	9.l	259,598	251,734
Cash and cash equivalents	9.c.	674,845	893,812
Total current assets		<u>1,566,949</u>	<u>1,803,063</u>
Total Assets		<u>5,910,262</u>	<u>6,072,910</u>
EQUITY			
Common stock		1,345,300	1,345,300
Legal Reserve		242,254	236,879
Future dividends reserve		260,525	202,239
Future capital expenditures reserve		175,000	140,000
Accumulated retained earnings		37,340	98,661
Non-controlling interests		5	3
Total equity		<u>2,060,424</u>	<u>2,023,082</u>
LIABILITES			
Non-current liabilities			
Deferred tax liabilities		521,786	527,958
Advances from customers	9.d.	364,115	311,905
Loans	13	2,056,004	1,862,231
Other payables	9.e.	559	-
Total non-current liabilities		<u>2,942,464</u>	<u>2,702,094</u>
Current liabilities			
Provisions	15	148,873	143,412
Advances from customers	9.d.	24,675	25,344
Other payables	9.e.	2,809	5,779
Taxes payables	9.f.	17,497	48,485
Income tax payable		3,254	27,759
Payroll and social security taxes payable		57,164	67,020
Loans	13	294,389	644,996
Trade payables	9.g.	358,713	384,939
Total current liabilities		<u>907,374</u>	<u>1,347,734</u>
Total current liability		<u>3,849,838</u>	<u>4,049,828</u>
Total equity and liabilities		<u>5,910,262</u>	<u>6,072,910</u>

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

Ricardo I. Monge
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2014 AND 2013
(Stated in thousands of pesos as described in Note 3)

	Shareholders Contributions			Retained Earnings				Subtotal	Total	Non-Controlling interests	Total
	Common stock	Inflation adjustment to common stock	Total common stock	Legal reserve	Future Dividends Reserve	Future Capital Expenditures Reserve	Accumulated retained earnings				
Balances at December 31, 2012	794,495	550,805	1,345,300	224,918	118,291	114,982	230,375	688,566	2,033,866	1	2,033,867
Comprehensive income for the six-month period	-	-	-	-	-	-	93,251	93,251	93,251	-	93,251
Resolution of the Board of Directors Meeting held on March 18, 2013											
Cash dividends	-	-	-	-	(118,291)	-	-	(118,291)	(118,291)	-	(118,291)
Resolutions of the Ordinary Shareholders Meeting held on April 25, 2013											
Derecognition of the Future Capital Expenditures Re:	-	-	-	-	-	(114,982)	114,982	-	-	-	-
Legal Reserve	-	-	-	11,961	-	-	(11,961)	-	-	-	-
Future Dividends Reserve	-	-	-	-	202,239	-	(202,239)	-	-	-	-
Future Capital Expenditures Reserve	-	-	-	-	-	140,000	(140,000)	-	-	-	-
Balances at June 30, 2013	794,495	550,805	1,345,300	236,879	202,239	140,000	84,408	663,526	2,008,826	1	2,008,827
Comprehensive loss for the six-month period	-	-	-	-	-	-	14,253	14,253	14,253	2	14,255
Balances at December 31, 2013	794,495	550,805	1,345,300	236,879	202,239	140,000	98,661	677,779	2,023,079	3	2,023,082
Resolutions of the Ordinary Shareholders Meeting held on April 30, 2014											
Derecognition of the Future Capital Expenditures Re:	-	-	-	-	(202,239)	(140,000)	342,239	-	-	-	-
Legal Reserve	-	-	-	5,375	-	-	(5,375)	-	-	-	-
Future Dividends Reserve	-	-	-	-	260,525	-	(260,525)	-	-	-	-
Future Capital Expenditures Reserve	-	-	-	-	-	175,000	(175,000)	-	-	-	-
Comprehensive loss for the six-month period	-	-	-	-	-	-	37,340	37,340	37,340	2	37,342
Balances at June 30, 2014	794,495	550,805	1,345,300	242,254	260,525	175,000	37,340	715,119	2,060,419	5	2,060,424

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

Ricardo I. Monge
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE, 2014 AND 2013
(Stated in thousands of pesos as described in Note 3)

	2014	2013
Cash flows provided by operating activities		
Total comprehensive income for the period	37,342	93,251
Reconciliation of total comprehensive income to cash flows provided by operating activities:		
Depreciation of property, plant and equipment	125,933	121,314
Consumption of materials	1,258	1,163
Share of profit from associates	(2,596)	45
Increase / (decrease) in allowances and provisions	5,461	(13,052)
Interest expense accrual	152,891	97,991
Interest income on Other financial assets other than Cash and cash equivalents	(7,043)	(8,816)
Income tax	14,735	54,361
Derivative financial instrument results	69,312	-
Foreign exchange loss	433,369	148,362
Non-cash revenues from sales	-	(500)
Changes in assets and liabilities:		
Trade receivables	(932)	173,572
Other receivables	(17,257)	1,424
Inventories	(11,925)	23,074
Trade payables	(364)	(142,476)
Payroll and social security taxes	(9,856)	(7,927)
Taxes payables	(37,929)	(43,357)
Income tax	(23,979)	(8,370)
Other payables	930	(419)
Provisions	-	(11,226)
Interest paid	(93,040)	(80,839)
Income tax paid	(14,745)	(45,278)
Derivative financial instruments	(42,812)	-
Advances from customers	50,984	2,826
Cash flows provided by operating activities	629,737	355,123
Cash flows used in investing activities		
Additions to property, plant and equipment	(157,933)	(88,299)
Other financial assets other than Cash and cash equivalents	29,667	-
Dividends paid	(2)	-
Cash flows used in investing activities	(128,268)	(88,299)
Cash flows used in financing activities		
Payment of loans	(762,431)	-
Dividends paid	-	(263,659)
Cash flows used in financing activities	(762,431)	(263,659)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(260,962)	3,165
Cash and cash equivalents at the beginning of the year	893,812	693,044
Foreign exchange gains on Cash and cash equivalents	41,995	19,137
Cash and cash equivalents at the end of the period	674,845	715,346

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

For supplemental cash flow information see Note 7.

Ricardo I. Monge
Chairman of the Board of Directors

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

1. BUSINESS DESCRIPTION

Transportadora de Gas del Sur S.A. (“TGS”) is one of the companies created as a result of the privatization of Gas del Estado S.E. (“GdE”). TGS commenced operations on December 29, 1992 and it is engaged in the Transportation of Natural Gas and Production and Commercialization of natural gas Liquids (“Liquids”). TGS’s pipeline system connects major gas fields in southern and western Argentina with gas distributors and industries in those areas and in the greater Buenos Aires area. The natural gas transportation license to operate this system was exclusively granted to TGS for a period of thirty-five years (“the License”). 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 the *Ente Nacional Regulador del Gas* (National Gas Regulatory Body or “ENARGAS”). The General Cerri Gas Processing Complex (the “Cerri Complex”), where TGS processes natural gas by extracting liquids, was transferred from GdE along with the gas transmission assets. TGS also provides 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. Also, telecommunications services are provided through the subsidiary Telcosur S.A. These services consist of data transmission services through a network of terrestrial and digital radio relay.

TGS’s controlling shareholder is Compañía de Inversiones de Energía S.A. (“CIESA”), which holds 51% of the common stock. Local and foreign investors hold the remaining ownership of TGS’s common stock. CIESA is under co-control of: (i) Petrobras Argentina S.A. (“Petrobras Argentina”) and a subsidiary (jointly “Petrobras Argentina Group”), which altogether hold 50% of CIESA’s common stock and (ii) CIESA Trust (whose trustee is The Royal Bank of Scotland N.V. Sucursal Argentina) (“the Trust”) who has a trust shareholding of 40%. The remaining 10% is held by EPCA S.A. (“EPCA”) – belonging to Pampa Energía S.A. (“Pampa Energía”) – which exercises significant influence in CIESA.

The current ownership of CIESA’s common stock is the result of the first stage of the Master Settlement and Mutual Release Agreement, signed on April 16, 2004 by Petrobras Argentina Group and subsidiaries of Enron Corp. (“Enron”) as of such date. The shareholding exchange was carried out on August 29, 2005, after ENARGAS approval by Note No. 4,858 issued in July 2005. At that time, Enron subsidiaries transferred 40% of the outstanding share capital of CIESA to the Trust; and Petrobras Argentina Group transferred its TGS class “B” common shares (representing 7.35% of the outstanding share capital of TGS) to Enron subsidiaries. Later, and within the framework of a settlement agreement entered into among CIESA, Petrobras Argentina Group, Inversiones Argentina I, Pampa Inversiones S.A. (both related companies of Pampa Energía) and Pampa Energía, owner of the total amount of the financial indebtedness of CIESA as of July 13, 2012, CIESA transferred 34,133,200 TGS Class B common shares –representing 4.2962% in TGS- to Pampa Energía.

2. CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TGS presents its condensed interim consolidated financial statements for the six-month periods ended June 30, 2014 and 2013 in compliance with the provisions of Title IV, Chapter I, Section I, Article b.1 of the Rules of the *Comisión Nacional de Valores* (“CNV”) (“New Text 2013” or “NT 2013”) adopted by General Resolution No. 622/13. In these condensed interim consolidated financial statements as of June 30, 2014, TGS and Telcosur S.A., its consolidated subsidiary, are jointly referred to as “the Company”.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with and complied with International Accounting Standard 34 (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) adopted by the CNV through NT 2013. These condensed interim financial statements do not include all information and disclosures required for annual

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

financial statements and should be read in conjunction with TGS' annual financial statements as of December 31, 2013 issued in February 11, 2014.

The condensed interim consolidated financial statements are stated in thousands of Argentine pesos ("Ps." or "pesos"), the functional currency of the Company and its subsidiary, unless otherwise stated.

Detailed data reflecting subsidiary control as of June 30, 2014 is as follows:

<u>Company</u>	<u>% of shareholding and votes</u>	<u>Closing date</u>	<u>Main activity</u>
Telcosur S.A.	99.98	December 31	Telecommunication Services

4. SIGNIFICANT ACCOUNTING POLICIES

The following standards, amendments and interpretations apply to the Company as from this fiscal year, which have had no significant impact on the financial position and results of operations.

IFRIC 21 "Levies"

In May 2013, the IASB issued IFRIC 21 which sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. This amendment is not expected to have a material impact on the information to be presented in the financial statements.

The amendment will be applicable for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently analyzing the provisions of IFRIC 21.

IAS 32 "Financial Instruments - Presentation"

In December 2011, the IASB has issued an amendment to the application guidance in IAS 32 "Financial Instruments - Presentation", to clarify some of the requirements for offsetting financial assets and liabilities on the statements of financial positions. This amendment does not change the current offsetting model in IAS 32, which requires an entity to offset a financial asset and financial liability in the statement of financial position only when the entity currently has a legally enforceable right of set-off and intends either to settle the asset and liability on a net basis or to realize the asset and settle the liability simultaneously. The amendment disclosures will require more extensive disclosures than are currently required under IFRS.

The amendment will be applicable for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently analyzing the provisions of the amendment to IAS 32.

IAS 36 "Impairment of Assets"

In May 2013, the IASB issued an amendment to IAS 36, which requires the disclosure of the recoverable amount of an asset or cash generating unit when an impairment loss has been recognized or reversed, and additional disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed which includes, among others, the recoverable value, valuation techniques used in fair values used if categorized as level 2 and 3 and the discount rates used to measure the fair value less costs of disposal if it is based on a present value technique.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

The amendment will be applicable for annual periods beginning on or after January 1, 2014, with earlier application permitted. The Company is currently analyzing the impact of the new disclosure requirements.

IAS 39 "Financial Instruments"

In June 2013, the IASB issued an amendment to IAS 39 to allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

The amendment will be applicable for annual periods beginning on or after January 1, 2014, with earlier application permitted. This amendment is not expected to have a material impact on the information to be presented in the financial statements.

5. FINANCIAL RISK MANAGEMENT

The Company's activities and the market in which it operates expose it to a series of financial risks: market risk (including foreign exchange risk, cash flows interest rate risk, and commodity price risk), credit risk and liquidity risk.

There have been no significant changes since the last annual financial statements in risk management policies.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed interim consolidated financial statements in conformity with generally accepted accounting principles requires management to make accounting 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 fiscal year. These estimates require management to make difficult, subjective or complex judgments and estimates about matters that are inherently uncertain. Management bases its estimates on various factors, including past trends, expectation of future events regarding the outcome of events and results and other assumptions that it believes are reasonable.

In the preparation of these condensed interim consolidated financial statements, the critical judgments made by the Company when applying its accounting policies as well as the information sources used for the respective estimates are the same of those applied in the consolidated financial statements for the year ended December 31, 2013. As of June 30, 2014, cash flows used for the calculation of the value in use of the property, plant and equipment involved in the natural gas transportation segment were restated to reflect the impact of the transitional tariff increase granted by Resolution No. I-2852/14 (for more information, see Note 17 to these condensed interim consolidated financial statements).

Based on the method of the discounted future cash flows explained in the financial statements as of December 31, 2013, the estimated discounted cash flows were higher than the carrying amount of such assets as of June 30, 2014.

TRANSPORTADORA DE GAS DEL SUR S.A.
 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
 (Stated in thousands of pesos as described in Note 3, unless otherwise stated)

7. SUPPLEMENTAL CASH FLOW INFORMATION

For purposes of the condensed interim consolidated statement of cash flows, the Company considers all highly liquid temporary investments with an original maturity of three months or less at the time of purchase to be cash equivalents. The cash flow statement has been prepared using the indirect method, which requires a series of adjustments to reconcile net income for the period to net cash flows from operating activities.

Non-cash investing and financing activities for the six-month periods ended June 30, 2014 and 2013 are presented below:

	2014	2013
Acquisition of property, plant and equipment through an increase in Trade payable	11,410	6,805
Financial charges capitalization	3,747	3,520

8. CONSOLIDATED BUSINESS SEGMENT INFORMATION

IFRS 8 “Operating Segments” requires an entity to report financial and descriptive information about its reportable segments, which are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker (“CODM”) in deciding how to allocate resources and in assessing performance. The Company’s CODM is the Board of Directors.

The Company analyzes its businesses into three segments: (i) *Natural Gas Transportation Services*, (ii) *Liquids Production and Commercialization* and (iii) *Other Services*. Liquids Production and Commercialization segment and Other Services segment are not regulated by ENARGAS.

Detailed information on each business segment for the six-month periods ended June 30, 2014 and 2013 is disclosed below:

Six-month period ended June 30, 2014				
	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
Revenue from sales ⁽¹⁾	360,885	1,692,183	148,470	2,201,538
Cost of sales	(284,444)	(880,105)	(49,001)	(1,213,550)
Administrative expenses	(61,145)	(7,420)	(1,302)	(69,867)
Selling expenses	(22,353)	(291,259)	(17,172)	(330,784)
Other operating expenses	4,881	(292)	(22)	4,567
Operating profit	(2,176)	513,107	80,973	591,904
Depreciation of property, plant and equipment	(93,570)	(11,552)	(20,811)	(125,933)

⁽¹⁾ Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 43,291 of National Government subsidies.

	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
External market	-	544,720	-	544,720
Local market	360,885	1,147,463	148,470	1,656,818

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

Six-month period ended June 30, 2013				
	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
Revenue from sales ⁽¹⁾	332,942	910,333	57,699	1,300,974
Cost of sales	(262,161)	(391,511)	(35,051)	(688,723)
Administrative expenses	(46,087)	(8,445)	(2,179)	(56,711)
Selling expenses	(11,636)	(184,409)	(9,354)	(205,399)
Other operating expenses	12,641	2,414	(34)	15,021
Operating profit	25,699	328,382	11,081	365,162
Depreciation of property, plant and equipment	(89,869)	(23,366)	(8,079)	(121,314)

⁽¹⁾ Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 19,137 of National Government subsidies.

	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
External market	-	485,749	-	485,749
Local market	332,942	424,584	57,699	815,225

9. SUMMARY OF SIGNIFICANT STATEMENT OF FINANCIAL POSITION AND STATEMENT OF COMPREHENSIVE INCOME ITEMS

a) Other receivables

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Tax credits ⁽¹⁾	36,195	43,867	28,761	40,013
Prepaid expenses	22,652	-	13,453	-
Advances to suppliers	104,425	-	99,435	-
Subsidies receivables	36,427	-	32,939	-
Easements to be recovered	-	3,690	-	3,690
Others	20,280	2,949	30,490	4,126
Total	219,979	50,506	205,078	47,829

⁽¹⁾ As of June 30, 2014 and December 31, 2013, includes Ps. 40,720 and Ps. 36,866, respectively of income tax and VAT credits generated by the reversion of the tariff increase credit.

The breakdown of other receivables based on its currency of origin is the following:

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	134,895	50,506	142,305	47,829
U.S. Dollars	32,317	-	44,051	-
Euros	52,767	-	18,722	-
Total	219,979	50,506	205,078	47,829

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

b) Trade receivables

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Commons				
Natural Gas Transportation	119,710	-	79,129	-
Production and Commercialization of Liquids	148,456	-	241,900	-
Other services	76,528	39,005	43,584	38,136
Related parties				
Natural Gas Transportation	6,241	-	3,335	-
Production and Commercialization of Liquids	32,676	-	44,930	-
Other services	13,756	-	9,826	-
Allowance for doubtful accounts	(4,121)	-	(4,121)	-
Total	393,246	39,005	418,583	38,136

The breakdown of trade receivables based on its currency of origin is the following:

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	276,967	33,136	197,399	38,136
U.S. Dollars	116,279	5,869	221,184	-
Total	393,246	39,005	418,583	38,136

The movement of the allowance for doubtful accounts is as follows:

Balances as of December 31, 2012	31,300
Additions	-
Applications	(8,892)
Decreases	(18,287) ⁽¹⁾
Balances as of June 30, 2013	4,121
Additions	-
Applications	-
Decreases	-
Balances as of December 31, 2013	4,121
Additions	-
Applications	-
Decreases	-
Balances as of June 30, 2014	4,121

⁽¹⁾ Included in Other operating expenses

c) Cash and cash equivalents

	06/30/2014	12/31/2013
Cash and banks	158,152	112,297
Time deposits	512,263	778,218
Mutual funds	3,747	2,746
Bank account	683	551
Total	674,845	893,812

The breakdown of cash and cash equivalents based on its currency of origin is the following:

	06/30/2014	12/31/2013
Argentine Pesos	526,355	826,325
U.S. Dollars	148,490	67,487
Total	674,845	893,812

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

d) Advances from customers ⁽¹⁾

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Aluar Aluminio Argentino S.A.C.I. ("Aluar")	6,742	161,835	6,742	165,206
Fideicomiso de Gas	3,036	-	5,852	-
Total Austral S.A. ("Total Austral")	4,770	7,950	4,770	10,335
YPF S.A. ("YPF")	-	12,491	-	13,498
Pan American Sur S.A. ("PAS")	3,180	5,300	3,180	6,890
Pan American Energy S.R.L. ("PAE")	-	63,819	-	64,821
PBB Polisor S.A. ("Polisor")	-	107,348	-	45,559
Otros	6,947	5,372	4,800	5,596
Total	24,675	364,115	25,344	311,905

⁽¹⁾They are mainly related to the financing of TGS pipeline system expansion works for the rendering of firm transportation services contracted by such clients. The advance will be settled with the effective rendering of firm transportation service.

Advances from customers are denominated in pesos.

e) Other payables

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Negative investment in associate	-	-	3,058	-
Provision for compensation for the Board of Directors and Supervisory Committee	596	-	1,077	-
Others	2,213	559	1,644	-
Total	2,809	559	5,779	-

Other payables are denominated in pesos.

f) Taxes payables

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Tax on exports	-	-	34,539	-
Others	17,497	-	13,946	-
Total	17,497	-	48,485	-

Taxes payables are denominated in pesos.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

g) Trade payables

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Suppliers	332,637	-	309,521	-
Customers (credit balances)	14,687	-	48,032	-
Related companies	11,389	-	27,386	-
Total	358,713	-	384,939	-

The breakdown of trade payables based on its currency of origin is the following:

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	284,768	-	316,612	-
U.S. Dollars	73,945	-	68,327	-
Total	358,713	-	384,939	-

h) Cost of sales

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014	2013	2014	2013
Inventories at the beginning of the year	4,010	30,357	7,356	54,282
Natural gas purchases	356,810	108,472	755,590	290,538
Operating costs (Note 9.i.)	243,097	191,802	469,885	375,111
Inventories at the end of the period	(19,281)	(31,208)	(19,281)	(31,208)
Total	584,636	299,423	1,213,550	688,723

TRANSPORTADORA DE GAS DEL SUR S.A.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION

(Stated in thousands of pesos as described in Note 3)

i) Expenses by nature – Information required under art. 64 paragraph I, clause B) Commercial Companies Law

Accounts	06/30/2014					06/30/2013	
	Total	Operating expenses		Administrative expenses	Selling expenses	Financial expenses	Total
		Regulated Activities	Non Regulated Activities				
Salaries, wages and other contributions	181,071	100,585	35,860	33,611	11,015	-	136,137
Social security taxes	36,048	18,111	6,844	8,400	2,693	-	27,192
Compensation to Directors and Supervisory Committee	1,858	-	-	1,858	-	-	1,229
Professional services fees	10,309	218	582	9,287	222	-	8,110
Technical operator assistance fees	44,424	1,135	43,289	-	-	-	27,908
Materials	10,407	3,130	7,277	-	-	-	7,955
Third parties services	18,711	6,875	9,616	2,220	-	-	14,392
Telecommunications and post expenses	1,733	370	353	945	65	-	1,419
Rents	820	168	87	502	63	-	671
Transports and freight	6,609	4,865	1,613	131	-	-	5,060
Easements	6,861	6,861	-	-	-	-	8,472
Offices supplies	886	215	64	548	59	-	472
Travels expenses	2,372	1,206	393	569	204	-	1,620
Insurance	9,144	5,558	3,190	395	1	-	7,097
Property, plant and equipment maintenance	39,823	24,776	13,836	932	279	-	32,155
Depreciation of property, plant and equipment	125,933	86,588	32,363	6,982	-	-	121,314
Taxes and contributions	357,642	26,715	14,925	182	315,820 ⁽¹⁾	-	222,354 ⁽¹⁾
Advertising	88	-	-	-	88	-	17
Doubtful accounts	-	-	-	-	-	-	2
Banks expenses	563	-	-	533	30	-	413
Interests expense	162,110	-	-	-	-	162,110	99,543
Foreign exchange loss	622,004	-	-	-	-	622,004	184,792
Other financial charges	28,212	-	-	-	-	28,212	16,631
Derivative financial instruments results	69,312	-	-	-	-	69,312	-
Costs of services rendered to third parties	7,484	-	7,484	-	-	-	8,127
Transactions among business segments	-	(5,581)	5,581	-	-	-	-
Other expenses	7,750	2,780	1,953	2,772	245	-	5,105
Total 2014	1,752,174	284,575	185,310	69,867	330,784	881,638	
Total 2013		258,640	116,471	56,711	205,399	300,966	938,187

⁽¹⁾ Includes tax on exports of Ps. 259,686 and Ps. 166,744 for the six-month periods ended June 30, 2014 and 2013.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

j) Net financial results

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014	2013	2014	2013
Financial income				
Interest income	74,367	18,224	163,597	39,195
Foreign exchange gain	8,665	25,814	175,618	44,266
Subtotal	83,032	44,038	339,215	83,461
Financial expenses				
Interest expense	(78,785)	(56,099)	(166,070)	(103,063)
Foreign exchange loss	(43,451)	(104,571)	(622,004)	(184,792)
Derivative financial instrument results	(23,342)	-	(69,312)	-
Other financial charges	(15,639)	(8,591)	(28,212)	(16,631)
<i>Less: Amounts capitalised on qualifying assets</i>	1,950	1,652	3,960	3,520
Subtotal	(159,267)	(167,609)	(881,638)	(300,966)
Total	(76,235)	(123,571)	(542,423)	(217,505)

k) Other operating income / (expenses)

	For the three-month period ended June 30,		For the six-month period ended June 30,	
	2014	2013	2014	2013
Net decrease in provisions	1,886	(14,694)	3,752	13,052
Others	594	4,483	815	1,969
Total	2,480	(10,211)	4,567	15,021

l) Other financial assets at fair value through profit or loss

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Public bonds	123,173	-	112,100	-
Mutual Funds	136,425	-	139,634	-
Private bonds	-	21,693	-	19,155
Total	259,598	21,693	251,734	19,155

The breakdown of other financial assets at fair value through profit or loss based on its currency of origin is the following:

	06/30/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	139,186	-	142,108	-
U.S. Dollars	120,412	21,693	109,626	19,155
Total	259,598	21,693	251,734	19,155

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

10. INVESTMENTS IN ASSOCIATES

	<u>06/30/2014</u>		<u>12/31/2013</u>
	<u>Cost Value</u>	<u>Book Value</u>	<u>Book Value</u>
Emprendimientos de Gas del Sur S.A. ("EGS")	116	1,414	1,928
Transporte y Servicios de Gas en Uruguay S.A. ("TGU")	5	1,722	1,668
Subtotal	121	3,136	3,596
Gas Link S.A. ("Link") ⁽¹⁾	503	-	(3,058)
Total	624	3,136	538

⁽¹⁾ Included in Other payables

As of the date of issuance of these financial statements, Telcosur has distributed dividends. On May 16, 2014, according to resolutions of the Ordinary Shareholders Meeting of Telcosur, payment of cash dividends to TGS was Ps. 10,151.

11. SHARE OF PROFIT / (LOSS) FROM ASSOCIATES

	<u>For the three-month period ended June 30,</u>		<u>For the six-month period ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
EGS	-	152	(514)	212
TGU	(668)	54	53	31
Link	4,366	(115)	3,057	(288)
Total	3,698	91	2,596	(45)

TRANSPORTADORA DE GAS DEL SUR S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

Account	06/30/2014										12/31/2013	
	C o s t					D e p r e c i a t i o n					Net book value	Net book value
	Beginning of the year	Additions	Retirements	Transfers	End of the period	Accumulated at the beginning of the year	Retirements	For the period	Rate %	Accumulated at the end of the period		
Pipelines	3,612,277	-	-	10,882	3,623,159	1,348,651	-	42,848	2.2	1,391,499	2,231,660	2,263,626
Compressor plants	1,354,086	-	-	70,792	1,424,878	762,272	-	35,238	3.3 to 25	797,510	627,368	591,814
Other industrial plants	2,868	-	-	-	2,868	358	-	49	3.3	407	2,461	2,510
Stations of regulation and/or measurement of pressure	126,403	-	-	1,839	128,242	77,640	-	2,590	4.0	80,230	48,012	48,763
Other technical installations	28,342	-	-	13	28,355	19,027	-	487	6.7	19,514	8,841	9,315
Subtotal assets related to natural gas transportation service	5,123,976	-	-	83,526	5,207,502	2,207,948	-	81,212		2,289,160	2,918,342	2,916,028
Assets related to natural gas upstream service	205,084	-	-	689	205,773	103,669	-	3,988	2.2 to 25	107,657	98,116	101,415
Assets related to liquids production and commercialization service	677,111	-	-	12,351	689,462	483,606	-	21,439	5.9	505,045	184,417	193,505
Lands	6,279	-	-	-	6,279	-	-	-	-	-	6,279	6,279
Buildings and constructions	184,665	-	-	5,351	190,016	93,198	-	2,215	2.0	95,413	94,603	91,467
Fittings and features in building	5,692	-	-	580	6,272	3,539	-	158	4.0	3,697	2,575	2,153
Machinery, equipment and tools	43,036	356	-	31	43,423	34,941	-	842	6.7 to 20	35,783	7,640	8,095
Computers and Telecommunication systems	363,374	-	-	19,528	382,902	264,435	-	10,902	6.7 to 20	275,337	107,565	98,939
Vehicles	28,122	2,603	-	-	30,725	19,210	-	1,368	10 and 20	20,578	10,147	8,912
Furniture	13,147	-	-	-	13,147	12,645	-	50	10	12,695	452	502
Capitalization of foreign exchange loss	177,272	-	-	-	177,272	91,233	-	3,759	4	94,992	82,280	86,039
Materials	226,701	59,424	1,258	(20,340)	264,527	-	-	-	-	-	264,527	226,701
Line pack	13,872	-	-	-	13,872	1,618	-	-	-	1,618	12,254	12,254
Works in progress	214,619	79,182	-	(101,716)	192,085	-	-	-	-	-	192,085	214,619
Total	7,282,950	141,565	1,258	-	7,423,257	3,316,042	-	125,933		3,441,975	3,981,282	3,966,908

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

13. LOANS

In order to improve the maturity profile of TGS's financial debt, on February 11, 2014, TGS issued the 2014 Notes in aggregate principal amount of US\$255,451,506 under its 2014 Program in exchange for a portion of the outstanding 2007 Notes. The 2014 Program provides for the issuance of up to a maximum principal amount of US\$400 million in notes, and was authorized by resolutions of an Extraordinary Shareholders' Meeting dated April 25, 2013, and by resolutions of its Board of Directors adopted on July 23, 2013 and December 23, 2013. The program was also authorized by the CNV on January 3, 2014, after the issuance of Resolution No. 17,262.

On January 10, 2014, TGS launched an exchange offer for the Series I notes created under the Global Program 2007 to its creditors. The terms of issuance of the new notes do not change financial restrictions on those in force for Series I notes created under the Global Program 2007. The period of acceptance of this offer expired on February 7, 2014. Considering the percentage of acceptance received which amounted to 67%, the financial debt of the Company was comprised as follows:

	Series I Global Program 2007 Notes ("2007 Notes")	Series I Global Program 2014 Notes ("2014 Notes")
Amount in US\$	123,283,000	255,451,506
Interest Rate	7.875% annual	9.625% annual
Amortization	Scheduled Payment Date	Percentage of Original Principal Amount
	May 14, 2014	25%
	May 14, 2015	25%
	May 14, 2016	25%
	May 14, 2017	25%
	Scheduled Payment Date	Percentage of Original Principal Amount
	May 14, 2014	25%
	May 14, 2018	25%
	May 14, 2019	25%
	May 14, 2020	25%
Frequency of Interest Payment	Semiannual, payable May 14 and November 14 of each year.	Semiannual, payable May 14 and November 14 of each year.
Guarantor	None	None

The 2014 Notes are traded in the *Bolsa de Comercio de Buenos Aires* ("BCBA"), the *Mercado Abierto Electrónico* ("MAE") and the Euro MTF of the Luxembourg Exchange.

The terms and conditions of the 2014 Notes are similar to those applied to the 2007 Notes, having not changed financial covenants with respect to those effective for the 2007 Notes. According to the criteria established by IAS 39, the exchange offer was not accounted for as an extinguishment of financial liabilities, and thus, the costs paid are amortized over the remaining life of the 2014 Notes.

The fair values are based on cash flows discounted at an effective rate of 10.126%.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

Short-term and long-term loans as of June 30, 2014 and December 31, 2013 comprise the following:

	06/30/2014	12/31/2013
Current loans:		
2007 EMTN Program: Series 1 Notes	249,735	608,823
Interest payable	26,149	24,009
Other financial loans	18,505	12,164
Total current loans	294,389	644,996
Non-current loans:		
2007 EMTN Program: Series 1 Notes	501,330	1,828,629
2014 EMTN Program: Series 1 Notes	1,531,902	-
Other financial loans	22,772	33,602
Total non-current loans	2,056,004	1,862,231
Total loans	2,350,393	2,507,227

The breakdown of loans based on its currency of origin is the following:

	06/30/2014	12/31/2013
Argentine pesos	14,056	44,204
U.S. Dollars	2,336,337	2,463,023
Total loans	2,350,393	2,507,227

The activity of the loans as of June 30, 2014 and 2013 is the following:

	2014	2013
Beginning balance	2,507,227	1,876,079
Accrued interest	136,498	80,147
Effect of foreign exchange rate change	562,139	179,733
Payment of loans	(762,431)	-
Interest paid	(93,040)	(80,839)
Ending balance	2,350,393	2,055,120

The maturities of the current and non-current loans as of June 30, 2014 are as follows:

	06/30/2014
Less 1 year	295,319
From 1 to 2 years	272,025
From 2 to 3 years	252,077
Over 3 years	1,558,191
Ending balance	2,377,612 ⁽¹⁾

⁽¹⁾ Excluding issuance expenses.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

14. INCOME TAX AND DEFERRED TAX

As of the date of the issuance of these condensed interim consolidated financial statements, there are no significant changes with respect to the situation disclosed by the Company as of December 31, 2013.

The reconciliation between the tax computed for tax purposes and the income tax expense charged to the statement of comprehensive income in the years ended June 30, 2014 and 2013 is as follows:

	2014	2013
Estimated current income tax expense	(20,838)	(75,701)
Deferred income tax	6,103	21,340
Income tax expense	(14,735)	(54,361)

15. PROVISIONS

	For legal claims and others
Balances as of 12/31/2012	144,054
Additions	9,425 ⁽¹⁾
Uses	(11,226)
Decreases	(4,190) ⁽³⁾
Balances as of 06/30/2013	138,063
Additions	18,514 ⁽²⁾
Uses	(7,321)
Decreases	(5,844) ⁽³⁾
Balances as of 12/31/2013	143,412
Additions	10,784 ⁽⁴⁾
Uses	-
Decreases	(5,323) ⁽³⁾
Balances as of 06/30/2014	148,873

⁽¹⁾ Ps. 6,922 are included in "Other operating expenses" and Ps. 2,503 in "Financial expenses"

⁽²⁾ Ps. 4,483 are included in "Other operating expenses" and Ps. 14,031 in "Financial expenses"

⁽³⁾ The total amount is recorded in "Other operating income"

⁽⁴⁾ Ps. 1,571 are included in "Other operating expenses" and Ps. 9,213 in "Financial expenses"

16. FINANCIAL INSTRUMENTS BY CATEGORY AND HIERARCHY

16.1 Financial instrument categories

There have been no significant changes regarding the accounting policies for the categorization of financial instruments since the policies disclosed by the Company as of December 31, 2013.

The categories of financial assets and liabilities as of June 30, 2014 and December 31, 2013 are as follows:

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

June 30, 2014

	Financial assets at fair value	Financial assets held to maturity	Loans and other receivables	Total
CURRENT ASSETS				
Trade receivables	-	-	393,246	393,246
Other receivables ⁽¹⁾	-	-	58,176	58,176
Other financial assets at fair value through profit or loss	259,598	-	-	259,598
Cash and cash equivalents	3,747	512,075	159,023	674,845
Total current assets	263,345	512,075	610,445	1,385,865
NON-CURRENT ASSETS				
Trade receivables	-	-	39,005	39,005
Other receivables	-	-	50,506	50,506
Loans to related parties	-	-	247,691	247,691
Other financial assets at fair value through profit or loss	21,693	-	-	21,693
Total non-current assets	21,693	-	337,202	358,895
Total assets	285,038	512,075	947,647	1,744,760

	Financial liabilities at fair value	Financial liabilities held to maturity	Other financial liabilities	Total
CURRENT LIABILITIES				
Trade payables	-	-	358,713	358,713
Loans	-	-	294,389	294,389
Payroll and social security taxes payables	-	-	57,164	57,164
Tax payables	-	-	17,497	17,497
Income tax expense	-	-	3,254	3,254
Other payables	-	-	2,809	2,809
Total current liabilities	-	-	733,826	733,826
NON-CURRENT LIABILITIES				
Loans	-	-	2,056,004	2,056,004
Other payables	-	-	559	559
Total non-current liabilities	-	-	2,056,563	2,056,563
Total liabilities	-	-	2,790,389	2,790,389

⁽¹⁾ Tax credits, prepaid expenses and advances from suppliers are excluded from the other receivables balance, as this analysis is required only for financial instruments.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

December 31, 2013				
	Financial assets at fair value	Financial assets held to maturity	Loans and other receivables	Total
CURRENT ASSETS				
Trade receivables	-	-	418,583	418,583
Other receivables ⁽¹⁾	-	-	63,429	63,429
Derivative financial instruments	26,500	-	-	26,500
Other financial assets at fair value through profit or loss	251,734	-	-	251,734
Cash and cash equivalents	2,746	778,218	112,848	893,812
Total current assets	280,980	778,218	594,860	1,654,058
NON-CURRENT ASSETS				
Trade receivables	-	-	38,136	38,136
Other receivables	-	-	47,829	47,829
Loans to related parties	-	-	194,154	194,154
Other financial assets at fair value through profit or loss	19,155	-	-	19,155
Total non-current assets	19,155	-	280,119	299,274
Total assets	300,135	778,218	874,979	1,953,332

	Financial liabilities at fair value	Financial liabilities held to maturity	Other financial liabilities	Total
CURRENT LIABILITIES				
Trade payables	-	-	384,939	384,939
Loans	-	-	644,996	644,996
Payroll and social security taxes payables	-	-	67,020	67,020
Tax payables	-	-	48,485	48,485
Income tax expense	-	-	27,759	27,759
Other payables	-	-	2,721	2,721
Total current liabilities	-	-	1,175,920	1,175,920
NON-CURRENT LIABILITIES				
Loans	-	-	1,862,231	1,862,231
Total non-current liabilities	-	-	1,862,231	1,862,231
Total liabilities	-	-	3,038,151	3,038,151

⁽¹⁾ Tax credits, prepaid expenses and advances from suppliers are excluded from the other receivables balance, as this analysis is required only for financial instruments.

2.1 Fair value measurement hierarchy and estimates

According to IFRS 13, the fair value hierarchy introduces three levels of inputs based on the lowest level of input significant to the overall fair value. These levels are:

- Level 1: includes financial assets and liabilities whose fair values are estimated using quoted prices (unadjusted) in active markets for identical assets and liabilities. The instruments included in this level primarily include balances in mutual funds and public or private bonds listed on the BCBA. Additionally within this level, the Company included derivative financial instruments because the settlement date thereof coincided with the closing date of the fiscal year. For the calculation of fair value, the corresponding quoted price was obtained.
- Level 2: includes financial assets and liabilities whose fair value is estimated using different assumptions quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (for example, derived from prices).
- Level 3: includes financial instruments for which the assumptions used in estimating fair value are not based on observable market information.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

The table below shows different assets and liabilities at their fair value classified by hierarchy as of June 30, 2014:

	June 30, 2014			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Cash and cash equivalents	3,747	-	-	3,747
Other current financial assets at fair value through profit or loss	259,598	-	-	259,598
Other non-current financial assets at fair value through profit or loss	21,693	-	-	21,693
Total	285,038	-	-	285,038

The carrying amount of the financial assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As of June 30, 2014 and December 31, 2013, the carrying amount of certain financial instruments used by the Company including cash, cash equivalents, other investments, receivables, payables and short-term loans are representative of fair value because of the short-term nature of these instruments.

The estimated fair value of other Non-current assets and Other loans does not differ significantly from the carrying amount. The following table reflects the carrying amount and estimated fair value of the 2007 EMTN Program series notes and the 2014 EMNT Program series notes at June 30, 2014 based on their quoted market price:

	Carrying amount	Fair value
2007 EMTN Program: Series 1 Notes	758,467	743,298
	Carrying amount	Fair value
2014 EMTN Program: Series 1 Notes	1,550,649	1,604,922

17 REGULATORY FRAMEWORK

As of the date of the issuance of these Financial Statements, there are no significant changes with respect to the situation disclosed by the Company as of December 31, 2013, except for that which is indicated below:

a) General framework and current tariff context:

Under the framework of the 2008 Transitional Agreement between the UNIREN and TGS which was ratified by Presidential Decree No. 1,918/09, the ENARGAS issued Resolution No. I-2852 on April 7, 2014, in which the new rate schedules authorizing an increase to the rate applicable to the natural gas firm and interruptible transportation rates were published. The new rate schedules establish only a progressive 8% increase as from April 1, 2014, an accumulated 14% increase as from June 1, 2014 and an accumulated 20% increase as from August 1, 2014. The tariff increase is exiguous given the increase in operating costs suffered.

This tariff increase will be aimed to the implementation of an investment plan of expansion works in the pipeline system in order to guarantee the quality of the rendering of natural gas in accordance with the guidelines established in the Natural Gas Industry Regulatory Framework.

The publication of the new rate schedules partially implement the 2008 Transitional Agreement signed by TGS with the Unit for Renegotiation and Assessment of Utilities Contracts ("UNIREN") (the "Transitional Agreement") on October 9, 2008, which was ratified by Presidential Decree No. 1,918/09. The Transitional Agreement establishes that the tariff increase is effective retroactively starting September 1, 2008. The Company filed a motion for reconsideration before ENARGAS due to the

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

omission regarding the methodology to recover the increase that should have been effective as of September 1, 2008 following the provisions of the Transitional Agreement. In addition, TGS notified the National Government regarding the motion for reconsideration filed before ENARGAS in order to obtain the necessary measures to be taken to fulfill with the sentence ruled by Argentine courts.

As part of the negotiations with the UNIREN, TGS continues focusing on following the necessary steps aimed to sign the Integral License Renegotiation Agreement initiated by TGS in October 2011. The indemnity given corresponds to the arbitration action initiated by Enron Corp. and Ponderosa Assets against the National Government for the damages suffered by Law 25,561 (Public Emergency Law). Although the executive secretariat of the UNIREN ruled favorably regarding the terms reached in the agreement accepted by TGS and recommended the signature of the Ministers of Economy and Finance, National Planning, Infrastructure and Services, as of the date of the issuance of these condensed interim consolidated financial statements, it has been unable to materialize. Consequently, the Company is evaluating alternative courses of action.

TGS continues the negotiations with the National Government for the adjustment of the Charge for Access and Use (“CAU”) which has been created through Presidential Decree No. 180/05 to compensate TGS for the operation and maintenance of the natural gas transportation assets, mainly pipeline expansions owned by the Gas Trusts.

Regarding the claim that Enron Corp. jointly with Ponderosa Assets L.P. initiated against the Argentine Republic before the International Center for the Settlement of Investment Disputes (“ICSID”) under the scope of the World Bank, on July 16, 2014, the parties agreed its suspension until January 12, 2015.

18 COMMON STOCK AND DIVIDENDS

a) Common stock structure and shares’ public offer

As of June 30, 2014 and 2013, TGS’ common stock was as follows:

Common Shares Class (Face value \$ 1, 1 vote)	Amount of common stock, subscribed, issued, paid in, and authorized for public offer
Class “A”	405,192,594
Class “B”	389,302,689
	794,495,283

TGS’s shares are traded on the BCBA and under the form of the ADSs (registered with the SEC and representing 5 shares each) on the New York Stock Exchange.

19 LEGAL CLAIMS AND OTHER MATTERS

As of the date of the issuance of these Financial Statements, there are no significant changes with respect to the situation disclosed by the Company as of December 31, 2013, except for that which is indicated below:

a) Exemption of the sales of liquids in turnover tax

On February 18, 2014, TGS received the assessment from the Tax Bureau of the Province of Buenos Aires which was approved by the Tax Court on May 8, 2014. On May 28, 2014, TGS filed a notice requesting the annulment of the settlement approved by the Tax Court, because in this new settlement, the previous judgment of the Tax Court was not respected. As of the date of issuance of these interim consolidated financial statements, the Company is awaiting response by the Tax Court.

As of June 30, 2014, TGS maintains a provision of Ps. 46.3 million.

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

b) Turnover tax calculated on the natural gas price used by TGS as fuel to render its transportation services

As of June 30, 2014, the Company recorded a provision of Ps. 93.7 million, in respect of this contingency under the line item "Provisions", which amounts were determined in accordance with the estimations of tax and interests, that would be payable as of such date, in case this contingency turns out unfavourable for the Company.

TGS' management believes that, in case the Company's position fails and the turnover tax has to be paid, TGS has a right to recover it by a transportation tariff increase as set forth in the License.

c) Action for annulment of Presidential Decree No. 2067/08 ("the Decree") and ENARGAS Resolutions No. I-1,982/11 and No. I-1,991/11 (the "Resolutions")

Within the framework of a legal action against the Resolutions, on July 10, 2012, TGS obtained from the Lower Court in administrative federal matters based in the Autonomous City of Buenos Aires, the issue of a preliminary injunction, ordering the Executive Branch (the Federal Energy Bureau), ENARGAS and Nación Fideicomisos S.A., as collection agents, not to bill or intend to collect from TGS the charge with the amounts in compliance with the provisions set forth in both Resolutions and to continue the billing and collection of the amounts stated prior to the issuance of said Resolutions. This decision was confirmed on April 7, 2014 by the relevant Court of Appeals, but only for a period of six months. Given this limited duration, TGS filed an extraordinary appeal before the Court of Appeals, which as of the date of the issuance of these consolidated financial statements, is pending of resolution. Pursuant to the prevailing legislation, the precautionary injunctions issued against the National Government are renewable at the request of a party at its maturity.

Furthermore, TGS, to broaden the basis for their demand to issue before it, has referred to the presiding judge the confiscatory character that the tariff charge would have on its economic and financial condition of being in full force Resolutions that implement it. The case is currently in evidence stage.

TGS's Management believes it has enough valid arguments to defend their position, and thus, the Company has not recorded the increase of the charge for natural gas consumptions from the date of obtaining the injunction until the date of the issuance of these condensed interim consolidated financial statements. In the event this injunction had not been obtained, the impact of the Resolutions for the six-month period ended June 30, 2014, taking into account the possibility of carry-forward the charge to the sales price of the product, would have implied a net loss of Ps. 87.2 million. Meanwhile, the accumulated impact on the retained earnings since obtaining the injunction would have involved a reduction effect of Ps. 276.6 million.

d) Repetition action of VAT and income tax

On October 9, 2008, TGS signed a Transitional Agreement with UNIREN that contemplated a tariff increase of 20%, which would be retroactively applicable to September 1, 2008. On December 3, 2009, the Executive Branch ratified this transitional agreement through the Presidential Decree No. 1,918/09. By means of this decree, TGS will be able to bill the tariff increase to its clients as soon as ENARGAS publishes the new tariffs schedule and sets the methodology to bill the retroactive effect. Finally, this administrative act did not become effective and therefore in September 2010 TGS filed an acción de amparo (a summary proceeding to guarantee constitutional rights). Due to the passing of time since the enactment of Decree No. 1918/09, on December 16, 2010 the Board of Directors of the Company resolved to discontinue the recognition of the tariff increase revenue and to reverse the credit provision of the tariff increase revenue already accrued in the year ended December 31, 2009. The reversal of the tariff increase does not imply any resignation to the Company's right resulting from the Decree No. 1,918/09.

On May 24, 2013, TGS filed a tax recovery appeal with respect to the income tax and VAT credits generated by the reversal of the tariff increase credit mentioned above. After the omission to pass

TRANSPORTADORA DE GAS DEL SUR S.A.
 NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
 (Stated in thousands of pesos as described in Note 3, unless otherwise stated)

judgment on the claim within the three months of the filing of the tax recovery appeal, on October 9, 2013, TGS filed an appeal before the Federal Tax Bureau, which was not solved yet. As of the date of the issuance of these condensed interim consolidated financial statements, the case is in evidence stage.

The total amount claimed by TGS amounted to Ps. 69.4 million plus compensatory interests. The outstanding balance of this credit has been valued at its amortized cost and it has been included in "Other non-current receivables."

20 BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

Transactions with related parties are carried out in the ordinary course of business according to common practices. The terms of these transactions are comparable to those offered by or obtained from unaffiliated parties.

Financial transactions

As of June 30, 2014 and 2013, and December 31, 2013, the loan granted to Pampa Energía was presented in "Loans to related parties." The evolution of this loan is as follows:

Balances as of December 31, 2012	138,523
Interest income	4,896
Foreign exchange gain	12,027
Balances as of June 30, 2013	155,446
Interest income	6,562
Foreign exchange gain	32,146
Balances as of December 31, 2013	194,154
Interest income	7,043
Foreign exchange gain	46,494
Balances as of June 30, 2014	247,691

Key management compensation

The accrued amounts corresponding to the compensation of the members of the Board of Directors, the Statutory Committee and the Executive Committee for the six-month periods ended June 30, 2014 and 2013 were Ps. 12,017 and Ps. 12,080, respectively.

Balances and transactions with related parties

The detail of significant outstanding balances for transactions entered into by TGS and its related parties as of June 30, 2014 and December 31, 2013 is as follows:

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

Company	06/30/2014		12/31/2013	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
<i>Associate which exercises joint control on the controlling shareholder:</i>				
Petrobras Argentina	26,175	9,184	12,614	25,176
<i>Associate which exercises significant influence on the controlling shareholder:</i>				
Pampa Energía	247,691	-	194,154	-
<i>Associates with significant influence:</i>				
Link	518	-	223	-
EGS	-	2,210	-	2,210
<i>Other related companies:</i>				
Petroleo Brasileiro	20,239	-	39,573	-
Compañía Mega S.A.	5,694	-	5,357	-
WEB S.A.	-	-	382	-
Total	300,317	11,394	252,303	27,386

The detail of significant transactions with related parties for the six-month period ended June 30, 2014 and 2013 is as follows:

Six-month period ended June 30, 2014:

Company	Revenues			Costs			Financial Results
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance	Revenues for administrative services	Interests earned
<i>Controlling shareholder:</i>							
CIESA	-	-	-	-	-	61	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	16,452	-	25,486	84,744	44,423	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energía	-	-	-	-	-	-	7,043
<i>Associate with significant influence:</i>							
Link	-	-	1,255	-	-	-	-
EGS	-	-	173	-	-	-	-
<i>Other related companies:</i>							
Compañía Mega S.A.	400	32,630	15	-	-	-	-
Petroleo Brasileiro	-	494,491	-	-	-	-	-
Total	16,852	527,121	26,929	84,744	44,423	61	7,043

Six-month period ended June 30, 2013:

Company	Revenues			Costs			Financial Results
	Natural Gas Transportation	Production and commercialization of liquids	Other services	Gas purchase and others	Compensation for technical assistance	Revenues for administrative services	Interests earned
<i>Controlling shareholder:</i>							
CIESA	-	-	-	-	-	61	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	15,778	-	16,187	98,247	27,908	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energía	-	-	-	-	-	-	4,689
<i>Associate with significant influence:</i>							
Link	-	-	955	-	-	-	-
<i>Other related companies:</i>							
Compañía Mega S.A.	382	21,321	15	-	-	-	-
WEB S.A.	1,534	-	-	-	-	-	-
Petroleo Brasileiro	-	168	-	-	-	-	-
Petrobras Global	-	373,791	-	-	-	-	-
Total	17,694	395,280	17,157	98,247	27,908	61	4,689

TRANSPORTADORA DE GAS DEL SUR S.A.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2014 AND COMPARATIVE INFORMATION
(Stated in thousands of pesos as described in Note 3, unless otherwise stated)

21 SUBSIDIARY AND ASSOCIATES

Link:

Link was created in February 2001, with the purpose of the operation of a natural gas transportation system, which links TGS's natural gas transportation system with the Cruz del Sur S.A. pipeline. The connection pipeline extends 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%.

TGU:

TGU is a company incorporated in Uruguay. This company rendered operation and maintenance services to Gasoducto Cruz del Sur S.A. and its contract terminated in 2010. TGS holds 49% of its common stock and Petrobras Argentina holds the remaining 51%.

EGS:

In September 2003, EGS, a company registered in Argentina, was incorporated. The ownership is distributed between TGS (49%) and TGU (51%). EGS operates its own pipeline, which connects TGS's main pipeline system in the Province of Santa Cruz with a delivery point on the border with Chile.

In October 2012, ENARGAS issued a resolution which authorizes EGS to transfer the connection pipeline and service offerings in operation to TGS. On December 17, 2013, the sale of all the fixed assets of EGS to TGS for an amount of US\$ 350,000 was made.

22 SUBSEQUENT EVENTS

The Financial Statements were authorized for issuance by the Board of Directors on July 29, 2014.

No subsequent events between the end of the six-month period ended June 30, 2014 and the date of the issuance (authorization) of these condensed interim consolidated financial statements have had a material effect on the financial position or the results of operations of the Company.

Ricardo I. Monge
Chairman of the Board of Directors

LIMITED REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of Transportadora de Gas del Sur S.A. and its subsidiary, at June 30, 2014, including the condensed interim consolidated statement of financial position at June 30, 2014, the related condensed interim consolidated statements of comprehensive income for the six and three-month period ended at June 30, 2014 and the condensed interim consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The balances and other information corresponding to the fiscal year 2013 and to its interim periods are an integral part of the financial statements mentioned above; therefore, they must be considered in connection with these financial statements.

Responsibility of the Board of Directors

The Company's Board of Directors is responsible for the preparation and presentation of these condensed interim consolidated financial statements under the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and adopted by the *Federación Argentina de Consejos Profesionales de Ciencias Económicas* ("FACPCE") as its professional accounting standards and added by the *Comisión Nacional de Valores* ("CNV") to its regulations; therefore, it is responsible for the preparation and presentation of the condensed interim consolidated financial statements mentioned in paragraph 1. in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects the financial position of Transportadora de Gas del Sur S.A. and its subsidiary at June 30, 2014, and of its financial performance and its cash flows for the six and three-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Report about the compliance with current regulations

- a) the condensed interim consolidated financial statements of Transportadora de Gas del Sur S.A. are transcribed into the "Inventory and Balance Sheet" book and as regards those matters that are within our competence, they are in compliance with the provisions of the Commercial Companies Law and pertinent resolutions of the National Securities Commission;
- b) the condensed interim separate financial statements of Transportadora de Gas del Sur S.A. arise from accounting records kept in all formal respects in conformity with legal regulations;
- c) we have read the summary of activity, as regards those matters that are within our competence, we have no observations to make;
- d) at June 30, 2014 the debt accrued by Transportadora de Gas del Sur S.A. in favor of the Argentine Integrated Social Security System according to the Company's accounting records amounted to \$ 11.984.888,18 none of which was claimable at that date.

City of Buenos Aires, July 29, 2014.

PRICE WATERHOUSE & CO. S.R.L.

(Partner)

C.P.C.E.C.A.B.A. T° 1 F° 17
Carlos N. Martínez
Public Accountant (UBA)
C.P.C.E. City of Buenos Aires
T° 155 - F° 146