
**ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 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 March 31, 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 CNV through NT 2013.

The Company's consolidated financial statements for the three-month periods ended March 31, 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 three-month periods ended March 31, 2014 and 2013:

	2014	2013	Variation
	(in millions of pesos)		
Net revenues	1,240.1	825.7	414.4
Gas Transportation	168.8	171.6	(2.8)
Natural Gas Liquids ("Liquids") production and commercialization	993.9	625.8	368.1
Other services	77.4	28.3	49.1
Cost of sales	(628.9)	(389.3)	(239.6)
Operating costs	(570.5)	(332.6)	(237.9)
Depreciation and amortization	(58.4)	(56.7)	(1.7)
Gross profit	611.2	436.4	174.8
Administrative and selling expenses	(264.5)	(191.7)	(72.8)
Other operating results	2.1	25.2	(23.1)
Gain on related companies	(1.1)	(0.1)	(1.0)
Operating income	347.7	269.8	77.9
Net financial expense	(466.2)	(93.9)	(372.3)
Income tax income / (expense)	40.8	(61.9)	102.7
Net comprehensive (loss) / income	(77.7)	114.0	(191.7)

⁽¹⁾ Not covered by Auditor's Limited Review, except for items 3, 4 and 6.

Overview

For the three-month period ended March 31, 2014, the Company has reported a net loss of Ps. 77.7 million, in comparison to the net income of Ps. 114.0 million reported in the first quarter 2013.

This Ps. 191.7 million negative variation is mostly attributable to the foreign exchange loss generated in the first quarter 2014 by 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). The Ps. 78.9 million increase in the Operating income could only partially offset the devaluation impact mentioned before.

Net revenues

Natural Gas Transportation

The Natural Gas Transportation business segment represented approximately 14% and 21% of TGS' total revenues during the first quarters 2014 and 2013, respectively. Following the implementation of the Public Emergency Law in 2002, TGS has not received any 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.

Revenues from the Natural Gas Transportation business segment slightly decreased in the first quarter 2014 compared with the first quarter 2013. The decrease is primarily due to lower revenues from firm natural gas transportation contracts, partially offset by higher volumes transported under interruptible natural gas transportation contracts.

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. This transitional tariff increase represents the first increase received since 1999. TGS is taking the necessary steps in order to achieve the whole implementation of the Transitional Agreement.

Production and Commercialization of Liquids

Unlike the gas transportation segment, the production and commercialization of liquids segment is not subject to regulation by ENARGAS.

Liquids' Production and Commercialization revenues accounted for approximately 80% and 76% of the total revenue during the first quarters 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. The Company commercializes Liquids for its own account and also on behalf of TGS' clients.

The Production and Commercialization of Liquids segment revenue increased by Ps. 368.1 million in the first quarter 2014, compared with the first quarter 2013, mainly due to an increase in the foreign exchange rate of the Argentine peso compared to the U.S. dollar, and higher revenues derived from higher prices of propane and butane during the first quarter 2014. Both effects were partially offset by a lower price on the propane and butane export contract for the period September 2013 - April 2014.

Other services

Other services are not subject to regulations by ENARGAS.

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. 49.1 million in the first quarter 2014 compared to the first quarter 2013, primarily due to: (i) the impact of the foreign exchange rate and additional treatment and compression of natural gas services rendered; (ii) higher revenues derived from the operation and maintenance services related to the enactment of a new contract signed with YPF S.A.; (iii) higher revenues from connection pipeline construction services rendered; and, (iv) higher revenues from telecommunication services.

Cost of sales and administrative and selling expenses

Cost of sales and administrative and selling expenses increased Ps. 312.4 million in the first quarter of 2014 compared to the first quarter 2013. This change is mainly attributed to an increase in the variable costs of the production of Liquids which increased Ps. 196.1 million mainly due to the increased price of natural gas purchased as Replenishment Thermal Plant (RTP) for the Cerri Complex. Additionally, it is important to highlight: (i) the increase in the tax on exports of Ps. 50.0 million due to the effect of the variation in the exchange rate, and (ii) an increase in labor costs by Ps. 21.1 million.

Other operating income

Other operating income decreased by Ps. 23.1 million in the first quarter of 2014 when compared with the same 2013 quarter, mainly related to the reversal of certain provisions that were recorded during the first quarter of 2013.

Net financial expense

Net financial expense rose to Ps. 466.2 million during the first quarter of 2014 compared to Ps. 93.9 million reported in the same period of 2013. The breakdown of net financial results is as follows:

	2012	2011
	(in millions of pesos)	
Financial income		
Interest income	89.2	21.0
Foreign exchange gain	167.0	18.5
Subtotal	256.2	39.5
Financial expenses		
Interest expense	(87.3)	(46.5)
Foreign exchange loss	(578.6)	(80.2)
Derivative financial instruments result	(46.0)	-
Other financial charges	(12.5)	(8.5)
Financial expense capitalized	2.0	1.8
Subtotal	(722.4)	(133.4)
Total	(466.2)	(93.9)

The negative variation, of Ps. 372.3 million was mainly attributed to the increase in the foreign exchange loss generated basically by a higher devaluation of the local currency during the first quarter of 2014, which has impacted TGS' U.S. dollar denominated net liability position, and the Ps. 46 million loss related to the derivative financial instruments results.

Income tax expense

In the first quarter 2014, TGS reported a Ps. 40.8 million income tax income, compared to Ps. 61.9 million income tax expense reported in the first quarter 2013. This variation is due to the net loss before income tax.

2. Liquidity

The Company's primary sources and application of funds during the three-month periods ended March 31, 2014 and 2013 are shown in the table below:

	2014	2013	Variation
	(in millions of pesos)		
Cash flows provided by operating activities	491.6	288.2	203.4
Cash flows used in investing activities	(45.4)	(35.0)	(10.4)
Cash flows used in financial activities	(2.2)	(145.4)	143.2
Net increase in cash and cash equivalents	444.0	107.8	336.2

The net increase of Ps. 336.2 million in Cash and Cash equivalents was mainly due to the increase in cash flow from operating activities in the first quarter 2014 which amounted to Ps. 203.4 million. This increase was mainly related to additional cash flow generated by the Liquids Production and Commercialization segment.

Finally, cash flow used for financing activities decreased considerably mainly due to the dividend payment approved by the Board of Directors during its meeting of December 6, 2012. Said dividend was paid during the first quarter of 2013, following the resolutions taken during the Ordinary Shareholders' Meeting held on April 12, 2012.

3. Consolidated Balance Sheets Summary

Summary of the consolidated balance sheets information as of March 31, 2014 and 2013:

	(in thousands of pesos)	
	As of March 31,	
	2014	2013
Non-current assets	4,307,394	4,034,301
Current assets	2,371,078	1,511,165
Total assets	6,678,472	5,545,466
Shareholders' equity	1,945,429	2,029,621
Minority interest	6	1
Total shareholders equity	1,945,435	2,029,622
Non-current liabilities	3,121,925	2,763,787
Current liabilities	1,611,112	752,057
Total liabilities	4,733,037	3,515,844
Total	6,678,472	5,545,466

4. Consolidated Statements of Comprehensive Income Summary

Summary of the consolidated statements of comprehensive income information for the three-month periods ended March 31, 2014 and 2013:

	(in thousands of Argentine pesos)		
	2014	2013	2012
Operating income	348,859	269,945	174,561
Net financial results	(466,188)	(93,934)	(53,514)
Share of (loss) / profit from associates	(1,102)	(136)	130
Net (loss) / income before income tax	(118,431)	175,875	121,177
Income tax income / (expense)	40,784	(61,829)	(42,687)
Net comprehensive (loss) / income for the period	(77,647)	114,046	78,490

5. Statistical Data (Physical Units)

	As of March 31, 2014				
	2014	2013	2012	2011	2010
Gas Transportation					
Average firm contracted capacity (in billions of cubic feet per day ("Bcf/d"))	81,063	82,581	82,143	79,965	79,056
Average daily deliveries (in Bcf/d)	59,313	60,793	59,539	59,119	56,743
NGL production and commercialization					
• Production					
Ethane (in short tones)	84,186	95,439	85,368	102,780	101,002
Propane and butane (in short tones)	169,137	141,026	129,123	129,807	135,863
Natural Gasoline (in short tones)	27,806	28,984	28,228	26,829	27,359
• Local market sales (a)					
Ethane (in short tones)	84,186	95,439	85,368	102,780	101,002
Propane and butane (in short tones)	96,177	70,553	55,808	61,060	64,760
Natural Gasoline (in short tones)	-	-	-	-	-
• Exports (a)					
Natural Gasoline (in short tones)	25,901	25,816	23,140	28,937	30,191

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

6. Comparative ratios

	As of March 31,		
	2014	2013	2012
Liquidity (Current assets to current liabilities)	1.47	2.01	1.73
Shareholders' equity to total liabilities	0.41	0.58	0.65
Non-current assets to total assets	0.64	0.73	0.79

7. 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		3.04	2.63	4.50	2.59
May		2.91	2.62	3.10	2.50
June		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

8. 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. This transitional tariff increase represents the first increase received since 1999.

While 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 renewal of the firm natural gas transportation agreements that expire in the short term.

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. We will also strive to maximize export prices through a wider participation of bidders in new bidding processes and the development of alternative markets.

With respect to the Other Services business segment, we will search for opportunities related to the rendering of logistics services in Puerto Galván and the optimization of the 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, April 23, 2014.

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 MARCH 31, 2014 AND DECEMBER 31, 2013
(Stated in thousands of pesos as described in Note 3)

	Notes	2014	2013
Revenue from sales	8	1,240,139	825,733
Cost of sales	9.h.	(628,914)	(389,300)
Gross profit		611,225	436,433
Administrative expenses	9.i.	(32,905)	(26,861)
Selling expenses	9.i.	(231,548)	(164,859)
Other operating income	9.k.	2,087	25,232
Operating profit		348,859	269,945
Net financial results			
Financial income	9.j.	256,183	39,423
Financial expenses	9.j.	(722,371)	(133,357)
Total		(466,188)	(93,934)
Share of loss from associates	11	(1,102)	(136)
Net (loss) / income before income tax		(118,431)	175,875
Income tax income / (expense)	14	40,784	(61,829)
Total comprehensive (loss) / income for the year		(77,647)	114,046
Net (loss) / income attributable to:			
Owners of the Company		(77,650)	114,046
Non-controlling interests		3	-
		(77,647)	114,046
Weighted average of outstanding ordinary shares		794,495,283	794,495,283
Basic and diluted (losses) / earnings per share		(0.10)	0.14

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 MARCH 31, 2014 AND DECEMBER 31, 2013
(Stated in thousands of pesos as described in Note 3)

ASSETS	Notes	03/31/2014	12/31/2013
Non-current assets			
Property, plant and equipment	12	3,950,165	3,966,908
Loans granted to related parties	20	240,168	194,154
Investments in associates	10	3,803	3,596
Other financial assets at fair value through profit or loss	9.l	20,779	19,155
Deferred income tax assets	14	-	69
Other receivables	9.a.	48,941	47,829
Trade receivables	9.b.	43,538	38,136
Total non-current assets		4,307,394	4,269,847
Current assets			
Other receivables	9.a.	208,958	205,078
Inventories		4,010	7,356
Trade receivables	9.b.	516,219	418,583
Derivative financial instruments		-	26,500
Other financial assets at fair value through profit or loss	9.l	264,367	251,734
Cash and cash equivalents	9.c.	1,377,524	893,812
Total current assets		2,371,078	1,803,063
Total Assets		6,678,472	6,072,910
EQUITY			
Common stock		1,345,300	1,345,300
Legal Reserve		236,879	236,879
Future dividends reserve		202,239	202,239
Future capital expenditures reserve		140,000	140,000
Accumulated retained earnings		21,011	98,661
Non-controlling interests		6	3
Total equity		1,945,435	2,023,082
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		479,909	527,958
Advances from customers	9.d.	368,401	311,905
Loans	13	2,272,970	1,862,231
Other payables		645	-
Total non-current liabilities		3,121,925	2,702,094
Current liabilities			
Provisions	15	145,972	143,412
Advances from customers	9.d.	27,789	25,344
Other payables	9.e.	8,156	5,779
Taxes payables	9.f.	43,087	48,485
Income tax payable		3,254	27,759
Payroll and social security taxes payable		51,094	67,020
Loans	13	827,417	644,996
Derivative financial instruments		36,065	-
Trade payables	9.g.	468,278	384,939
Total current liabilities		1,611,112	1,347,734
Total current liability		4,733,037	4,049,828
Total equity and liabilities		6,678,472	6,072,910

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 THREE-MONTH PERIODS ENDED MARCH 31, 2014 AND 2013
(Stated in thousands of pesos as described in Note 3)

	Attributable to the owners of the Company											
	Shareholders Contributions			Retained Earnings							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	Subtotal	Total			
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 three-month period	-	-	-	-	-	-	114,046	114,046	114,046	-	114,046	
Resolution of the Board of Directors Meeting held on March 18, 2013												
Cash dividends	-	-	-	-	(118,291)	-	-	(118,291)	(118,291)	-	(118,291)	
Balances at March 31, 2013	794,495	550,805	1,345,300	224,918	-	114,982	344,421	684,321	2,029,621	1	2,029,622	
Resolutions of the Ordinary Shareholders Meeting held on April 25, 2013												
Derecognition of the Future Capital Expenditures Reserve	-	-	-	-	-	(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)	-	-	-	-	
Comprehensive loss for the nine-month period	-	-	-	-	-	-	(6,542)	(6,542)	(6,542)	2	(6,540)	
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	
Comprehensive loss for the three-month period	-	-	-	-	-	-	(77,650)	(77,650)	(77,650)	3	(77,647)	
Balances at March 31, 2014	794,495	550,805	1,345,300	236,879	202,239	140,000	21,011	600,129	1,945,429	6	1,945,435	

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 THREE-MONTH PERIOD ENDED MARCH 31, 2014 AND 2013
(Stated in thousands of pesos as described in Note 3)

	2014	2013
Cash flows provided by operating activities		
Total comprehensive (loss) / income for the period	(77,647)	114,046
Reconciliation of net income to cash flows provided by operating activities:		
Depreciation of property, plant and equipment	61,911	59,601
Consumption of materials	546	366
Share of profit from associates	1,102	136
Increase / (decrease) in allowances and provisions	2,560	(27,746)
Interest expense accrual	81,581	47,909
Interest income on Other financial assets other than Cash and cash equivalents	(3,445)	(2,215)
Income tax	(40,784)	61,829
Derivative financial instrument results	45,970	-
Foreign exchange loss	409,660	63,048
Non-cash revenues from sales	-	(250)
Changes in assets and liabilities:		
Trade receivables	(120,041)	85,954
Other receivables	(5,035)	(775)
Inventories	3,346	23,925
Trade payables	109,319	(51,955)
Payroll and social security taxes	(15,926)	(14,035)
Taxes payables	(12,551)	(29,384)
Income tax	(12,918)	(6,890)
Other payables	1,713	217
Provisions	-	(11,226)
Interest paid	(1,695)	(740)
Income tax paid	(11,587)	(32,064)
Derivative financial instruments	16,595	-
Advances from customers	58,941	8,469
Cash flows provided by operating activities	491,615	288,220
Cash flows used in investing activities		
Additions to property, plant and equipment	(63,363)	(34,954)
Other financial assets other than Cash and cash equivalents	18,000	-
Cash flows used in investing activities	(45,363)	(34,954)
Cash flows used in financing activities		
Payment of loans	(2,222)	-
Dividends paid	-	(145,368)
Cash flows used in financing activities	(2,222)	(145,368)
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	444,030	107,898
Cash and cash equivalents at the beginning of the year	893,812	693,044
Foreign exchange gains on Cash and cash equivalents	39,682	10,021
Cash and cash equivalents at the end of the period	1,377,524	810,963

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 MARCH 31, 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 three-month periods ended March 31, 2014 and 2013 in compliance with the provisions of Title IV, Chapter III, Section I, Article 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 March 31, 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 MARCH 31, 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.

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 March 31, 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

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discount rates used to measure the fair value less costs of disposal if it is based on a present value technique.

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 March 31, 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 (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 March 31, 2014.

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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 three-month periods ended March 31, 2014 and 2013 are presented below:

	2014	2013
Acquisition of property, plant and equipment		
through an increase in Trade payable	11,882	4,838
Financial charges capitalization	2,010	1,868

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 three-month periods ended March 31, 2014 and 2013 is disclosed below:

Three-month period ended March 31, 2014				
	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
Revenue from sales ⁽¹⁾	168,865	993,872	77,402	1,240,139
Cost of sales	(136,246)	(469,739)	(22,929)	(628,914)
Administrative expenses	(25,383)	(6,120)	(1,402)	(32,905)
Selling expenses	(8,116)	(212,166)	(11,266)	(231,548)
Other operating expenses	2,294	(195)	(12)	2,087
Operating profit	1,414	305,652	41,793	348,859
Depreciation of property, plant and equipment	(45,781)	(11,996)	(4,134)	(61,911)

⁽¹⁾ Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 13,648 of National Government subsidies.

	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
External market	-	544,720	-	544,720
Local market	168,865	449,152	77,402	695,419

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Three-month period ended March 31, 2013				
	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
Revenue from sales ⁽¹⁾	171,641	625,823	28,269	825,733
Cost of sales	(121,592)	(250,189)	(17,519)	(389,300)
Administrative expenses	(21,926)	(4,025)	(910)	(26,861)
Selling expenses	(5,653)	(154,786)	(4,420)	(164,859)
Other operating expenses	28,709	(3,460)	(17)	25,232
Operating profit	51,179	213,363	5,403	269,945
Depreciation of property, plant and equipment	(44,297)	(11,278)	(4,026)	(59,601)

⁽¹⁾ Revenues from sales from Production and Commercialization of Liquids segment includes Ps. 6,034 of National Government subsidies.

	Natural Gas Transportation	Production and Commercialization of Liquids	Other Services	Total
External market	-	426,141	-	426,141
Local market	171,641	199,682	28,269	399,592

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

a) Other receivables

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Tax credits ⁽¹⁾	27,448	41,892	28,761	40,013
Prepaid expenses	8,521	-	13,453	-
Advances to suppliers	90,485	-	99,435	-
Subsidies receivables	37,273	-	32,939	-
Easements to be recovered	-	3,690	-	3,690
Others	45,231	3,359	30,490	4,126
Total	208,958	48,941	205,078	47,829

⁽¹⁾ As of March 31, 2014 and December 31, 2013, includes Ps. 38,745 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:

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	125,592	48,941	142,305	47,829
U.S. Dollars	47,926	-	44,051	-
Euros	35,440	-	18,722	-
Total	208,958	48,941	205,078	47,829

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b) Trade receivables

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Commons				
Natural Gas Transportation	132,147	-	79,129	-
Production and Commercialization of Liquids	225,915	-	241,900	-
Other services	87,820	43,538	43,584	38,136
Related parties				
Natural Gas Transportation	6,788	-	3,335	-
Production and Commercialization of Liquids	52,783	-	44,930	-
Other services	14,887	-	9,826	-
Allowance for doubtful accounts	(4,121)	-	(4,121)	-
Total	516,219	43,538	418,583	38,136

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

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	327,503	43,538	197,399	38,136
U.S. Dollars	188,716	-	221,184	-
Total	516,219	43,538	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 March 31, 2013	4,121
Additions	-
Applications	-
Decreases	-
Balances as of December 31, 2013	4,121
Additions	-
Applications	-
Decreases	-
Balances as of March 31, 2014	4,121

⁽¹⁾ Included in Other operating expenses

c) Cash and cash equivalents

	03/31/2014	12/31/2013
Cash and banks	138,472	112,297
Time deposits	1,231,200	778,218
Mutual funds	7,180	2,746
Bank account	672	551
Total	1,377,524	893,812

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

	03/31/2014	12/31/2013
Argentine Pesos	1,295,248	826,325
U.S. Dollars	82,276	67,487
Total	1,377,524	893,812

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d) Advances from customers ⁽¹⁾

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Aluar Aluminio Argentino S.A.C.I. ("Aluar")	6,742	163,520	6,742	165,206
Fideicomiso de Gas	5,852	-	5,852	-
Total Austral S.A. ("Total Austral")	4,770	9,142	4,770	10,335
YPF S.A. ("YPF")	-	12,491	-	13,498
Pan American Sur S.A. ("PAS")	3,180	6,095	3,180	6,890
Pan American Energy S.R.L. ("PAE")	-	64,320	-	64,821
PBB Polisor S.A. ("Polisor")	-	107,349	-	45,559
Otros	7,245	5,484	4,800	5,596
Total	27,789	368,401	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

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Negative investment in associate	4,367	-	3,058	-
Provision for compensation for the Board of Directors and Supervisory Committee	1,557	-	1,077	-
Others	2,232	-	1,644	-
Total	8,156	-	5,779	-

Other payables are denominated in pesos.

f) Taxes payables

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Turnover tax	7,479	-	-	-
VAT	16,702	-	-	-
Tax on exports	-	-	34,539	-
Others	18,906	-	13,946	-
Total	43,087	-	48,485	-

Taxes payables are denominated in pesos.

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g) Trade payables

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Suppliers	376,051	-	309,521	-
Customers (credit balances)	39,384	-	48,032	-
Related companies	52,843	-	27,386	-
Total	468,278	-	384,939	-

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

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	403,414	-	316,612	-
U.S. Dollars	64,864	-	68,327	-
Total	468,278	-	384,939	-

h) Cost of sales

	2014	2013
Inventories at the beginning of the year	7,356	54,282
Natural gas purchases	398,780	182,066
Operating costs (Note 9.i.)	226,788	183,309
Inventories at the end of the period	(4,010)	(30,357)
Total	628,914	389,300

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

Accounts	2014					2013	
	Total	Operating expenses		Administrative expenses	Selling expenses	Financial expenses	Total
		Regulated Activities	Non Regulated Activities				
Salaries, wages and other contributions	75,397	42,520	14,739	13,430	4,708	-	57,641
Social security taxes	19,439	9,412	3,376	5,134	1,517	-	16,127
Compensation to Directors and Supervisory Committee	988	-	-	988	-	-	610
Professional services fees	5,745	48	278	5,339	80	-	2,623
Technical operator assistance fees	25,983	751	25,232	-	-	-	20,541
Materials	3,816	1,209	2,607	-	-	-	3,352
Third parties services	9,666	3,431	5,129	1,106	-	-	7,027
Telecommunications and post expenses	497	123	177	169	28	-	749
Rents	399	95	49	229	26	-	933
Transports and freight	3,092	2,241	778	73	-	-	2,436
Easements	5,352	5,352	-	-	-	-	3,929
Offices supplies	483	96	29	332	26	-	216
Travels expenses	1,050	477	184	303	86	-	747
Insurance	4,823	2,920	1,692	211	-	-	4,115
Property, plant and equipment maintenance	18,908	11,999	6,291	486	132	-	13,709
Depreciation of property, plant and equipment	61,911	42,303	16,130	3,478	-	-	59,601
Taxes and contributions	245,802	14,846	6,087	108	224,761 ⁽¹⁾	-	174,301 ⁽¹⁾
Advertising	37	-	-	-	37	-	29
Banks expenses	254	-	-	239	15	-	190
Interests expense	87,285	-	-	-	-	87,285	44,864
Foreign exchange loss	578,553	-	-	-	-	578,553	80,221
Other financial charges	10,563	-	-	-	-	10,563	8,272
Derivative financial instruments results	45,970	-	-	-	-	45,970	-
Costs of services rendered to third parties	4,596	-	4,596	-	-	-	4,268
Transactions among business segments	-	(2,412)	2,412	-	-	-	-
Other expenses	3,003	835	756	1,280	132	-	1,885
Total 2014	1,213,612	136,246	90,542	32,905	231,548	722,371	
Total 2013		119,847	63,462	26,861	164,859	133,357	508,386

⁽¹⁾ Includes tax on exports of Ps. 196,034 and Ps. 145,972 for the three-month periods ended March 31, 2014 and 2013.

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j) Net financial results

	2014	2013
Financial income		
Interest income	89,230	20,971
Foreign exchange gain	166,953	18,452
Subtotal	256,183	39,423
Financial expenses		
Interest expense	(87,285)	(46,499)
Foreign exchange loss	(578,553)	(80,221)
Derivative financial instrument results	(45,970)	-
Other financial charges	(12,573)	(8,505)
<i>Less: Amounts capitalised on qualifying assets</i>	2,010	1,868
Subtotal	(722,371)	(133,357)
Total	(466,188)	(93,934)

k) Other operating income

	03/31/2014	03/31/2013
Net decrease in provisions	1,866	27,746
Others	221	(2,514)
Total	2,087	25,232

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

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Public bonds	133,191	-	112,100	-
Mutual Funds	131,176	-	139,634	-
Private bonds	-	20,779	-	19,155
Total	264,367	20,779	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:

	03/31/2014		12/31/2013	
	Current	Non Current	Current	Non Current
Argentine Pesos	133,865	-	142,108	-
U.S. Dollars	130,502	20,779	109,626	19,155
Total	264,367	20,779	251,734	19,155

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10. INVESTMENTS IN ASSOCIATES

	03/31/2014		12/31/2013
	Cost Value	Book Value	Book Value
Emprendimientos de Gas del Sur S.A. ("EGS")	116	1,414	1,928
Transporte y Servicios de Gas en Uruguay S.A. ("TGU")	5	2,389	1,668
Subtotal	121	3,803	3,596
Gas Link S.A. ("Link") ⁽¹⁾	503	(4,367)	(3,058)
Total	624	(564)	538

As of the date of issuance of these financial statements, none of the associates has distributed dividends and there were no changes in their capital.

11. (LOSS) / PROFIT FROM ASSOCIATES

	2014	2013
EGS	(514)	60
TGU	721	(23)
Link	(1,309)	(173)
Total	(1,102)	(136)

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12. PROPERTY, PLANT AND EQUIPMENT

Account	03/31/2014										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	-	-	3	3,612,280	1,348,651	-	21,386	2.2	1,370,037	2,242,243	2,263,626
Compressor plants	1,354,086	-	-	14,631	1,368,717	762,272	-	16,703	3.3 to 25	778,975	589,742	591,814
Other industrial plants	2,868	-	-	-	2,868	358	-	24	3.3	382	2,486	2,510
Stations of regulation and/or measurement of pressure	126,403	-	-	1,839	128,242	77,640	-	1,299	4.0	78,939	49,303	48,763
Other technical installations	28,342	-	-	-	28,342	19,027	-	243	6.7	19,270	9,072	9,315
Subtotal assets related to natural gas transportation service	5,123,976	-	-	16,473	5,140,449	2,207,948	-	39,655		2,247,603	2,892,846	2,916,028
Assets related to natural gas upstream service	205,084	-	-	326	205,410	103,669	-	1,991	2.2 to 25	105,660	99,750	101,415
Assets related to liquids production and commercialization service	677,111	-	-	8,262	685,373	483,606	-	10,692	5.9	494,298	191,075	193,505
Lands	6,279	-	-	-	6,279	-	-	-	-	-	6,279	6,279
Buildings and constructions	184,665	-	-	2,212	186,877	93,198	-	1,084	2.0	94,282	92,595	91,467
Fittings and features in building	5,692	-	-	-	5,692	3,539	-	74	4.0	3,613	2,079	2,153
Machinery, equipment and tools	43,036	334	-	25	43,395	34,941	-	418	6.7 to 20	35,359	8,036	8,095
Computers and Telecommunication systems	363,374	-	-	19,061	382,435	264,435	-	5,428	6.7 to 20	269,863	112,572	98,939
Vehicles	28,122	97	-	-	28,219	19,210	-	664	10 and 20	19,874	8,345	8,912
Furniture	13,147	-	-	-	13,147	12,645	-	25	10	12,670	477	502
Capitalization of foreign exchange loss	177,272	-	-	-	177,272	91,233	-	1,880	4	93,113	84,159	86,039
Materials	226,701	26,188	546	(7,513)	244,830	-	-	-	-	-	244,830	226,701
Line pack	13,872	-	-	-	13,872	1,618	-	-	-	1,618	12,254	12,254
Works in progress	214,619	19,095	-	(38,846)	194,868	-	-	-	-	-	194,868	214,619
Total	7,282,950	45,714	546	-	7,328,118	3,316,042	-	61,911		3,377,953	3,950,165	3,966,908

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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%.

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

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	03/31/2014	12/31/2013
Current loans:		
2007 Notes	245,698	608,823
2014 Notes	511,031	-
Interest payable	55,366	24,009
Other financial loans	15,322	12,164
Total current loans	827,417	644,996
Non-current loans:		
2007 Notes	739,883	1,828,629
2014 Notes	1,504,888	-
Other financial loans	28,199	33,602
Total non-current loans	2,272,970	1,862,231
Total loans	3,100,387	2,507,227

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

	03/31/2014	12/31/2013
Argentine pesos	43,521	44,204
U.S. Dollars	3,056,866	2,463,023
Total loans	3,100,387	2,507,227

The activity of the loans as of March 31, 2014 and 2013 is the following:

	2014	2013
Beginning balance	2,507,227	1,876,079
Accrued interest	72,712	39,222
Effect of foreign exchange rate change	524,365	77,806
Payment of loans	(2,222)	-
Interest paid	(1,695)	(740)
Ending balance	3,100,387	1,992,367

The maturities of the current and non-current loans as of March 31, 2014 are as follows:

	03/31/2014
Less 1 year	828,347
From 1 to 2 years	520,043
From 2 to 3 years	248,040
Over 3 years	1,533,091
Ending balance	3,129,521 ⁽¹⁾

⁽¹⁾ Excluding issuance expenses.

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.

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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 March 31, 2014 and 2013 is as follows:

	2014	2013
Estimated current income tax expense	40,402	(65,172)
Deferred income tax	382	3,343
Income tax expense	40,784	(61,829)

15. PROVISIONS

	For legal claims and others ⁽¹⁾
Balances as of 12/31/2012	144,054
Additions	597 ⁽¹⁾
Uses	(11,226)
Decreases	(10,056) ⁽³⁾
Balances as of 03/31/2013	123,369
Additions	27,342 ⁽²⁾
Uses	(7,321)
Decreases	22 ⁽³⁾
Balances as of 12/31/2013	143,412
Additions	5,563 ⁽⁴⁾
Uses	-
Decreases	(3,003) ⁽³⁾
Balances as of 03/31/2014	145,972

⁽¹⁾ The total amount of the uses is recorded in "Other operating income"

⁽²⁾ Ps. 10,808 are included in "Other operating expenses" and Ps. 16,534 in "Financial expenses"

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

⁽⁴⁾ Ps. 1,137 are included in "Other operating expenses" and Ps. 4,426 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 March 31, 2014 and 2013 are as follows:

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	Financial assets at fair value	Financial assets held to maturity	Loans and other receivables	Total
CURRENT ASSETS				
Trade receivables	-	-	516,219	516,219
Other receivables ⁽¹⁾	-	-	82,596	82,596
Other current financial assets at fair value through profit or loss	264,367	-	-	264,367
Cash and cash equivalents	7,180	1,231,201	139,143	1,377,524
Total current assets	271,547	1,231,201	737,958	2,240,706
NON-CURRENT ASSETS				
Trade receivables	-	-	43,538	43,538
Other receivables	-	-	48,941	48,941
Loans to related parties	-	-	240,168	240,168
Other current financial assets at fair value through profit or loss	20,779	-	-	20,779
Total non-current assets	20,779	-	332,647	353,426
Total assets	292,326	1,231,201	1,070,605	2,594,132

	Financial liabilities at fair value	Financial liabilities held to maturity	Other financial liabilities	Total
CURRENT LIABILITIES				
Trade payables	-	-	468,278	468,278
Loans	36,065	-	-	36,065
Payroll and social security taxes payables	-	-	827,417	827,417
Tax payables	-	-	51,094	51,094
Income tax expense	-	-	43,087	43,087
Other payables	-	-	3,254	3,254
	-	-	3,789	3,789
Total current liabilities	36,065	-	1,396,919	1,432,984
NON-CURRENT LIABILITIES				
Loans	-	-	2,272,970	2,272,970
Other payables	-	-	645	645
Total non-current liabilities	-	-	2,273,615	2,273,615
Total liabilities	36,065	-	3,670,534	3,706,599

⁽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.

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	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 current 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 current 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.

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The table below shows different assets and liabilities at their fair value classified by hierarchy as of March 31, 2014 and December 31, 2013:

	March 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Cash and cash equivalents	7,180	-	-	7,180
Other current financial assets at fair value through profit or loss	264,367	-	-	264,367
Other non-current financial assets	20,779	-	-	20,779
Total	292,326	-	-	292,326

	March 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial liabilities at fair value				
Derivate financial instruments	-	36,065	-	36,065
Total	-	36,065	-	36,065

	December 31, 2013			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Cash and cash equivalents	2,746	-	-	2,746
Other current financial assets at fair value through profit or loss	251,734	-	-	251,734
Derivative financial instruments	26,500	-	-	26,500
Other non-current financial assets	19,155	-	-	19,155
Total	300,135	-	-	300,135

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 March 31, 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 March 31, 2014 based on their quoted market price:

	2007 Notes	2014 Notes
Carrying amount	1,015,644	2,070,356
Fair value	992,792	1,977,790

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.

Additionally, in line with 2008 Transitional Agreement, according to Resolution No. I-2852, the funds generated by this tariff increase would be temporarily deposited in a trust fund for the payment of maintenance works according to an investment plan submitted by us and previously approved by the ENARGAS, pursuant to the Natural Gas industry Regulatory Framework.

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However, this is only a partial implementation of the 2008 Transitional Agreement. According to its terms, the 2008 Transitional Agreement will be in force under the terms of the Presidential Decree No. 1,918/09 until the effective date of the integral license renegotiation agreement to be signed with the Government. The 2008 Transitional Agreement establishes that the tariff increase is effective retroactively as from September 30, 2008. The Company will continue performing all the legal actions began to obtain the complete enforcement of the 2008 Transitional Agreement.

18 COMMON STOCK AND DIVIDENDS

a) Common stock structure and shares' public offer

As of March 31, 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

The Tax Court ordered the Tax Bureau of the Province of Buenos Aires to practice a new assessment. On February 18, 2014, TGS received the assessment with no observations. As of the date of issuance of these interim consolidated financial statements, the Company is awaiting approval of this new assessment by the Tax Court.

As of March 31, 2014, TGS maintains a provision of Ps. 44.6 million.

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

As of March 31, 2014, the Company recorded a provision of Ps. 90.1 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 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

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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. TGS is considering this decision and whether to challenge the limited duration of the Court of Appeals order.

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 three-month period ended March 31, 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. 48.2 million. Meanwhile, the accumulated impact on the retained earnings since obtaining the injunction would have involved a reduction effect of Ps. 237.6 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 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.

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.

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Financial transactions

As of March 31, 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	2,215
Foreign exchange gain	4,736
Balances as of March 31, 2013	145,474
Interest income	9,243
Foreign exchange gain	39,437
Balances as of December 31, 2013	194,154
Interest income	3,445
Foreign exchange gain	42,569
Balances as of March 31, 2014	240,168

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 three-month periods ended March 31, 2014 and 2013 were Ps. 7,769 and Ps. 8,765, 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 March 31, 2014 and December 31, 2013 is as follows:

Company	03/31/2014		12/31/2013	
	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Controlling shareholder:				
CIESA	37	-	-	-
Associate which exercises joint control on the controlling shareholder:				
Petrobras Argentina	21,756	50,644	12,614	25,176
Associate which exercises significant influence on the controlling shareholder:				
Pampa Energía	240,168	-	194,154	-
Associates with significant influence:				
Link	468	-	223	-
EGS	-	2,210	-	2,210
Other related companies:				
Petroleo Brasileiro	46,069	-	39,573	-
Compañía Mega S.A.	6,714	-	5,357	-
WEB S.A.	-	-	382	-
Total	315,212	52,854	252,303	27,386

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The detail of significant transactions with related parties for the three-month period ended March 31, 2014 and 2013 is as follows:

Three-month period ended March 31, 2014:

Sociedad	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	-	-	-	-	-	31	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	8,412	2,662	12,716	75,047	25,983	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energía	-	-	-	-	-	-	3,445
<i>Associate with significant influence:</i>							
Link	-	-	589	-	-	-	-
<i>Other related companies:</i>							
Compañía Mega S.A.	193	17,793	7	-	-	-	-
Petroleo Brasileiro	-	108,988	-	-	-	-	-
Total	8,605	129,443	13,312	75,047	25,983	31	3,445

Three-month period ended March 31, 2013:

Sociedad	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	-	-	-	-	-	31	-
<i>Associate which exercises joint control on the controlling shareholder:</i>							
Petrobras Argentina	7,508	-	7,934	75,137	20,541	-	-
<i>Associate which exercises significant influence on the controlling shareholder:</i>							
Pampa Energía	-	-	-	-	-	-	2,215
<i>Associate with significant influence:</i>							
Link	-	-	470	-	-	-	-
<i>Other related companies:</i>							
Compañía Mega S.A.	191	10,201	8	-	-	-	-
WEB S.A.	764	-	-	-	-	-	-
Petroleo Brasileiro	-	102	-	-	-	-	-
Petrobras Global	-	371,966	-	-	-	-	-
Total	8,463	382,269	8,412	75,137	20,541	31	2,215

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%.

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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 April 23, 2014.

No subsequent events between the end of the three-month period ended March 31, 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, except for the mentioned in Note 17.

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 March 31, 2014, including the condensed interim consolidated statement of financial position at March 31, 2014, the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-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"), 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 as at 31 March 2014, and of its financial performance and its cash flows for the 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 March 31, 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 \$ \$ 10,439,359 none of which was claimable at that date.

City of Buenos Aires, April 23, 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