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## **TGS Reports First Quarter ended March 31, 2002 Earnings<sup>1</sup>**

**FOR IMMEDIATE RELEASE: Monday, May 6, 2002**

**Buenos Aires, Argentina - Transportadora de Gas del Sur S.A.** ("TGS" or "the Company") (NYSE: TGS, Merval:TGSU2) today reported net loss of Ps. 515.6 million or Ps. 0.649 per share (Ps. 3.245 per ADS) for the first quarter of 2002, as compared to a net income of Ps. 33.0 million or Ps. 0.042 per share (Ps. 0.208 per ADS), for the same quarter of 2001.

The Company is currently assessing the impacts associated with the new legal framework on its financial condition, including the effects of the devaluation that occurred during the first quarter of 2002, the tariff renegotiation and the negotiations with third parties. Consequently, TGS has requested and obtained from the Argentine Securities Commission ("CNV") and the Buenos Aires Stock Exchange an extension for the filing of its financial statements as of March 31, 2002. Therefore, the information contained in this press release is unaudited.

### **Capitalization of the foreign exchange loss originated by the Argentine peso devaluation**

At the beginning of 2002, the Professional Council of Economic Sciences of the City of Buenos Aires issued an accounting rule which allows the capitalization of the foreign exchange loss (originated by the Argentine peso devaluation which started in January 2002) generated by debts denominated in US dollars, whose purpose was to finance investments in fixed assets and/or other companies incorporated in Argentina. Such rule establishes that the foreign exchange loss generated by such debts could be capitalized proportionally to the corresponding remaining balances of such assets at the end of the period or year, up to the limit of their recoverable value. Consequently, TGS has capitalized Ps. 1,476.1 million in the account "Property, Plant and Equipment, net", which generated a higher depreciation of Ps. 14.5 million in the period.

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<sup>1</sup> All figures included in this press release are unaudited.

## First Quarter ended March 31, 2002 vs. First Quarter ended March 31, 2001

Net revenues for the first quarter of 2002 increased by 11.3% to Ps. 141.1 million due to increases in both the NGL Production and Commercialization and Other Services segments, partially offset by lower Gas Transportation revenues.

Gas transportation revenues decreased by Ps. 1.0 million principally as a result of several consecutive U.S. Producer Price Index (“PPI”) increases registered in the first quarter of 2001, which were not accrued in the first quarter of 2002. In December 2001, the Argentine Government declared a default on its foreign debt payments, and in January 2002, the Emergency and Exchange Rate Law was approved. This law eliminates tariff adjustments based on US dollar exchange rate fluctuations, foreign price indexes or any other indexing procedure, establishing a conversion rate of one peso equal to one US dollar for tariffs, and the re-negotiation of public utility contracts with no clearly defined scope, among other provisions. Given the current scenario, the transfer of the PPI to tariffs, which the Company legitimately claimed, is improbable, as the possibility of recovering it through the Argentine Government is subject to future events which are beyond the control of the Company. Consequently, at the end of 2001, TGS recorded a loss in “Other expenses, net” reflecting the Company’s inability to recover deferred PPI adjustments accrued in 2001 and 2000, which does not mean that TGS waives the rights and the actions it is entitled to according to specific provisions contained in the Regulatory Framework.

Eliminado: Transportation

Eliminado: a

Eliminado: tariff

This negative effect was partially offset by a higher average firm contracted capacity coming from new gas transportation agreements. Firm contracted capacity rose from 58.2 million cubic meters a day (“MMm<sup>3</sup>/d”) or 2.05 Billion cubic feet a day (“Bcf/d”) in the first quarter of 2001 to 61.6 MMm<sup>3</sup>/d or 2.18 Bcf/d in the first quarter of 2002.

Eliminado: reflecting the semi-annual adjustments for changes in the U.S. Producer Price Index.

Eliminado: Also g

The NGL Production and Commercialization segment reported a Ps. 9.5 million revenue increase reflecting the positive effect of the Argentine peso devaluation on the NGL export revenues. These effects were partially mitigated by the decrease of NGL international prices.

Other services segment reported a Ps. 5.8 million revenue increase as a result of new construction, telecommunication and upstream services rendered. Construction services during the first quarter of 2002 include those provided to Gas Link S.A. (a related company responsible for linking TGS’s gas transportation system to the Cruz del Sur Pipeline).

Operating costs and administrative and selling expenses for the first quarter of 2002 increased by Ps. 16 million as compared to the same period of last year, mainly reflecting: (i) Ps. 16.1 million of increased depreciation and amortization expenses, mainly associated to the foreign exchange loss capitalization, explained above, and (ii) Ps. 2.5 million of internal inspection pipeline expense incurred in the first quarter of 2002. Both effects were partially offset by lower administrative expenses.

The Equity in losses of affiliates registered in the first quarter of 2002, mainly reflects the elimination of intercompany profits generated by the construction services rendered to Gas Link S.A.

Net financial expense for the first quarter of 2002 increased by Ps. 37.1 million, compared to the first quarter of 2001, as a result of the negative impact of the Argentine peso devaluation on the interest accrued in the current period.

Foreign exchange loss for the first quarter of 2002, reflects the impact of the 200% Argentine peso devaluation. Such foreign exchange loss was mainly generated by the Company’s US dollar denominated debt which has not been capitalized.

As of March 31, 2002, TGS did not accrue income tax due the tax loss carryforward generated by the Argentine peso devaluation.

TGS, with a current delivery capacity of approximately 62.5 MMm<sup>3</sup>/d or 2.2 Bcf/d is Argentina's leading transporter of natural gas. The Company is also Argentina's leading processor of natural gas and one of the largest marketers of natural gas liquids. TGS is quoted on both the New York and Buenos Aires stock exchanges under the ticker symbols TGS and TGSU2, respectively. TGS's controlling shareholder is Compañía de Inversiones de Energía S.A. ("CIESA"), which together with Pecom Energía and Enron Corp. subsidiaries, hold approximately 70% of the Company's common stock. CIESA is currently owned 50% by Pecom Energía S.A. (formerly Perez Companc S.A.) and a subsidiary, and 50% by subsidiaries of Enron Corp.

*Please see attached table for additional financial and operating information.*

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This press release includes forward-looking statements within the meaning of Section 27 A of the Securities Act of 1933, as amended. Forward-looking statements are based on management's current views and assumptions and involve known and unknown risks. Although the Company has made reasonable efforts to ensure that the information and assumptions on which these statements and projections are based are current, reasonable and complete, a variety of factors could cause actual results to differ materially from the projections, anticipated results or other expectations contained in this release. Neither the Company nor its management can guarantee that anticipated future results will be achieved. Investors should refer to the Company's filings with the U.S. Securities and Exchange Commission for a description of important factors that may affect actual results.

**Exhibit I**

**Transportadora de Gas del Sur S.A.**  
**Consolidated Financial and Operating Data for the three month period ended March 31, 2002 and 2001**  
(In millions of Argentine pesos, except for per share and  
per ADS information in pesos or where otherwise indicated)  
(unaudited)

<i>Income Statement Data</i>	<u>1st. Quarter</u>	
	<u>2002</u>	<u>2001</u>
<b>Net Revenues</b>	<b>141.1</b>	<b>126.8</b>
Gas transportation	100.3	101.3
GLP production and commercialization	32.0	22.5
Other services	8.8	3.0
<b>Operating Costs</b>	<b>(63.1)</b>	<b>(44.6)</b>
Operation and maintenance	(29.1)	(26.7)
Depreciation and amortization expenses	(34.0)	(17.9)
<b>Gross Operating Profit</b>	<b>78.0</b>	<b>82.2</b>
Administrative and Selling Expenses	(5.2)	(7.7)
<b>Operating Income</b>	<b>72.8</b>	<b>74.5</b>
Other (Expense) Income, net	(0.7)	0.2
Equity in losses of related companies	(2.5)	0.0
Net Financial Expense	(59.1)	(22.0)
Foreign exchange loss	(526.1)	(0.6)
<b>Net (Loss) Income before Income Tax</b>	<b>(515.6)</b>	<b>52.1</b>
Income Tax Expense	0.0	(19.1)
<b>Net (Loss) Income</b>	<b>(515.6)</b>	<b>33.0</b>
<b>(Losses) Earnings per share</b>	<b>(0.649)</b>	<b>0.042</b>
<b>(Losses) Earnings per ADS</b>	<b>(3.245)</b>	<b>0.208</b>

*Selected Financial Information*

Capital Expenditures	13.8	68.1
EBITDA	104.8	94.1

*Operating Data*

**Transmission Volumes (million of cf/d)**

Average firm contracted capacity	2,175.4	2,055.3
Average deliveries	1,465.6	1,529.1

**Processing sales (thousand of short tons)**

Ethane	84.5	85.5
Propane and Butane	115.5	107.6
Natural Gasoline	16.2	27.1