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TGS Reports Second Quarter and First Half Results

FOR IMMEDIATE RELEASE:

(August 7, 2001 - Buenos Aires, Argentina) - Transportadora de Gas del Sur S.A. ("TGS" or "the Company") (NYSE: TGS, Merval:TGSU2), Argentina's leading transporter of natural gas, today announced results for the three and six-month periods ended June 30, 2001. The Company reported net income of Ps. 36.4 million or Ps. 0.046 per share (Ps. 0.229 per ADS) for the second quarter of 2001, as compared to Ps. 29.6 million or Ps. 0.037 per share (Ps. 0.186 per ADS) for the same quarter of 2000. For the six-month period ended June 30, 2001, TGS reported net income of Ps. 69.4 million or Ps. 0.087 per share (Ps. 0.437 per ADS), as compared to Ps. 61.0 million or Ps. 0.077 per share (Ps. 0.384 per ADS) for the first half of 2000.

"We are satisfied with our performance for both the quarter and the first half. We have improved each of our business segments' revenues and achieved an increase in our EBITDA and net income," said Eduardo Ojea Quintana, Chief Executive Officer of TGS. "On the operational side, during the period we successfully started the most important system expansion in terms of pipeline looping since the start of our operations. We added more than 340 km pipes in record time in order to make this expansion operational for the 2001 Argentine Winter season. On the regulatory side, we remain confident that the Argentine Government and the Judicial System will respect the existing Gas Regulatory Framework by authorizing the application of the accrued PPI increases to the regulated tariffs," he further concluded.

Second Quarter ended June 30, 2001

Net revenues for the second quarter of 2001 increased by 13.2 % to Ps. 132.4 million. The gas transportation segment reported net revenues of Ps. 104.1 million, up from Ps. 95.4 million in the same quarter of 2000, reflecting both U.S. Producer Price Index ("PPI") increases and higher firm contracted capacity. Transportation revenues rose as a consequence of two consecutive PPI increases of 2.32% and 4.01%, effective July 1st, 2000 and January 1st, 2001, respectively. However, TGS, -as well as all other regulated companies within the Argentine natural gas industry- has not been collecting the related accrued PPI adjustments, since, as a result of a judicial ruling, any tariff increase associated to PPI adjustments has been suspended. However, on this front, TGS trusts that the Regulatory Framework, agreed within

the context of the privatization process, and the additional related governmental decrees will be ultimately respected. Average firm contracted transportation capacity increased to 60.4 million cubic meters per day (“MMm³/d”) (2.13 billion cubic feet per day (“Bcf/d”)) from 57.8 MMm³/d (2.04 Bcf/d) during the same period of last year, as a result of new gas transportation agreements.

The LPG production and commercialization segment reported a Ps. 7.9 million revenue increase, reflecting the effects of a business restructuring, through which TGS achieved ownership of part of the Cerri Complex’s production. The resulting higher revenue margin brought about by the restructuring contributed to offset the impact of lower production volumes mainly associated with the start-up of the MEGA project.

Current quarter operating costs and administrative and selling expenses increased by Ps. 8.1 million compared to the same period of last year, mainly reflecting: (i) Ps. 8.0 million in new costs required to achieve ownership of the LPG production, and (ii) Ps. 1.8 million increased depreciation and amortization expenses. Increased intangible assets depreciation is attributable to new accounting rules issued by ENARGAS, effective January 1st, 2001. Both effects were partially offset by lower transportation system maintenance expenses. Operating costs and administrative and selling expenses for the second quarter of 2001 reflect the application of the accounting and presentation rules derived from the ENARGAS’ resolution passed in early 2000. For comparative purposes, amounts for the second quarter of 2000 have been presented on the same basis.

Net interest expense for the second quarter of 2001 decreased by Ps. 2.1 million, compared to the same period of last year, primarily due to higher capitalized interest resulting from higher average capital expenditures during the current quarter, coupled with a reduction in the average all-in net cost of debt, which was 9.49% in the 2001 second quarter versus 9.89% for the second quarter of last year. Both effects were partially offset by a slight increase in the Company’s average net indebtedness.

Income tax expense for the second quarter of 2001 increased Ps. 3.8 million compared to the same quarter of 2000, primarily as a consequence of higher taxable income.

Six-month period ended June 30, 2001

Net revenues for the six-month period ended June 30, 2001 increased by 7.3% to Ps. 259.2 million (see Exhibit II for detailed information on business segments). The gas transportation segment reported net revenues of Ps. 205.4 million, up from Ps. 189.0 million in the same period of 2000. The rise primarily reflects PPI increases. However, TGS - as well as all other regulated companies within the natural gas industry-, has not been collecting the related accrued PPI adjustments, as previously described. Also, average firm contracted capacity rose from 57.5 MMm³/d (2.03 Bcf/d) during the first half of last year, to 59.3 MMm³/d (2.09 Bcf/d) in the first half of 2001.

The LPG production and commercialization segment reported a Ps. 15.1 million revenue increase, up from Ps. 32.6 million earned during the first half of 2000. The rise is principally due to the business restructuring, as explained above. Also, international prices for LPG rose during the first half of 2001. These effects were partially offset by a lower production volume at the Cerri Complex, mainly as a result of the start-up of the MEGA project.

Other services revenues for the first half of 2001 declined by Ps. 13.9 million, mainly as a result of the one-time revenue associated with the construction of a connection pipeline from gas fields located in the Santa Cruz Province to TGS' s main transportation system, as reported in 2000.

Current semester operating costs and administrative and selling expenses increased by Ps. 8.0 million as compared to the same period of last year, mainly reflecting: (i) Ps. 13.9 million of new costs required to achieve ownership of the LPG production, (ii) Ps. 3.0 million reflecting higher depreciation and amortization expenses, mainly attributable to new accounting rules applicable to intangible assets issued by ENARGAS, and (iii) Ps. 5.2 million in higher operational and administrative expenses. All these effects were partially offset by the Ps. 14.1 million one-time cost associated with the pipeline construction reported during the first half of 2000. Operating costs and administrative and selling expenses for the first half of 2001 reflect the application of the new accounting and presentation rules derived from the ENARGAS resolution passed in early 2000. For comparative purposes, amounts for the first half of 2000 have been presented on the same basis.

Net interest expense for the first half 2001 decreased by Ps. 3.8 million compared to the same period of last year. This decrease was basically due to higher capitalized interest, resulting from higher average capital expenditures during the current quarter, coupled with a reduction in the average all-in net cost of debt which was 9.78% versus 10.09% for same period of last year (see Exhibit II for detailed information on net interest expense). Both effects were partially reduced by a slight increase in the Company's average net indebtedness.

Income tax expense for the first half 2001 increased by Ps. 6.4 million as compared to the same period of 2000, primarily reflecting increased taxable income.

First Half Dividends

The Board of Directors, in its meeting held yesterday, declared an anticipated semi-annual dividend of Ps. 0.061 per share (Ps. 0.3055 per ADS). The dividend represents approximately 70% of the Company's net income for the first half 2001, and will be payable on August 21, 2001.

TGS, with a current delivery capacity of approximately 62.5 MMm³/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 S.A. (formerly Perez Companc S.A.) and a subsidiary and Enron Corp. subsidiaries, hold approximately 70% of the Company's common stock. CIESA is currently owned 50% by Pecom Energía S.A. and a subsidiary, and 50% by subsidiaries of Enron Corp.

Please see attached tables for additional financial and operating information.

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.

Transportadora de Gas del Sur S.A.**Financial and Operating Data for the second quarters and the six-month periods ended June 30, 2001 and 2000****(In millions of Argentine pesos, except for per share and per ADS information in pesos or where otherwise indicated)**

<i>Consolidated Income Statements</i>	<u>2nd Quarter</u>		<u>1st Semester</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Net Revenues	132.4	117.0	259.2	241.6
Gas Transportation	104.1	95.4	205.4	189.0
LPG Production and Commercialization	25.2	17.3	47.7	32.6
Other Services	3.1	4.3	6.1	20.0
Operating Costs	46.3	38.5	90.9	84.4
Operation and maintenance	27.3	21.8	54.0	51.1
Depreciation and amortization expenses	19.0	16.7	36.9	33.3
Gross Operating Profit	86.1	78.5	168.3	157.2
Administrative and Selling Expenses	6.7	6.4	14.4	12.9
Operating Income	79.4	72.1	153.9	144.3
Other Expense, net	1.4	2.6	1.2	2.6
Net Interest Expense	21.4	23.5	44.0	47.8
Net Income before Income Tax	56.6	46.0	108.7	93.9
Income Tax Expense	20.2	16.4	39.3	32.9
Net Income	36.4	29.6	69.4	61.0
Earnings per share	0.046	0.037	0.087	0.077
Earnings per ADS	0.229	0.186	0.437	0.384

Selected Financial Information

Capital Expenditures	84.4	7.3	152.8	20.5
EBITDA	98.2	87.9	192.3	178.3

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

Average firm contracted capacity	2,133.0	2,041.2	2,094.1	2,030.6
Average deliveries	1,815.2	1,945.8	1,670.4	1,744.5

LPG sales (thousands of short tons)

Ethane	61.5	99.2	147.0	179.6
Propane and Butane	99.1	154.3	206.7	329.1
Natural Gasoline	19.0	29.1	46.0	65.5

Transportadora de Gas del Sur S.A.**Business Segment Information for the First Half ended
June 30, 2001 and 2000****(In millions of Argentine Pesos)**

<u>First Half of 2001</u>	<u>Gas Transportation</u>	<u>LPG Production and Commercialization</u>	<u>Other Services</u>	<u>Corporate</u>	<u>Total</u>
Net revenues	205.4	47.7	6.1	—	259.2
Operating income (loss)	149.1	18.5	0.7	(14.4)	153.9
Depreciation of PP&E	27.5	5.3	1.5	2.8	37.1
Additions to PP&E	123.8	1.6	26.9	0.5	152.8
Identifiable assets	1,931.6	187.4	81.6	55.5	2,256.1
<u>First Half of 2000</u>					
Net revenues	189.1	32.6	19.9	—	241.6
Operating income (loss)	134.9	19.3	3.0	(12.9)	144.3
Depreciation of PP&E	25.5	5.5	1.7	3.3	36.0
Additions to PP&E	16.0	0.8	2.8	0.9	20.5
Identifiable assets	1,803.1	193.9	51.3	49.5	2,097.8

**Breakdown of Net Interest Expense for the First Half Ended
June 30, 2001 and 2000**

	<u>First Half Ended June 30, 2001</u>	<u>First Half Ended June 30, 2000</u>
All-in interest expense	(46.3)	(50.6)
Interest on short term investments	<u>2.3</u>	<u>2.8</u>
All-in net interest expense	(44.0)	(47.8)
Average net indebtedness	976.8	970.0
Average all-in net cost of debt	9.78%	10.09%

Transportadora de Gas del Sur S.A.
Consolidated Balance Sheets as of June 30, 2001 and 2000
(In millions of Argentine pesos)

	<u>June 30,</u>	
	<u>2001</u>	<u>2000</u>
Current assets		
Cash	0.8	0.5
Investments	13.1	11.2
Trade receivables	57.0	67.8
Other receivables	11.9	15.9
Inventories	<u>3.4</u>	<u>1.8</u>
Total current assets	<u>86.2</u>	<u>97.2</u>
Non current assets		
Trade receivables	52.6	9.8
Other receivables	12.0	9.1
Investments	10.1	0.0
Property, plant and equipment, net	2,052.2	1,934.0
Intangible assets, net	<u>43.0</u>	<u>47.7</u>
Total non current assets	<u>2,169.9</u>	<u>2,000.6</u>
Total assets	<u>2,256.1</u>	<u>2,097.8</u>
Current liabilities		
Accounts payable	67.3	27.6
Loans	104.0	215.8
Payroll and social security taxes	3.0	2.7
Taxes payable	22.8	29.5
Other liabilities	<u>1.4</u>	<u>0.7</u>
Total current liabilities	<u>198.5</u>	<u>276.3</u>
Non current liabilities		
Loans	<u>945.3</u>	<u>755.5</u>
Total liabilities	<u>1,143.8</u>	<u>1,031.8</u>
Shareholders' equity	<u>1,112.3</u>	<u>1,066.0</u>
Total liabilities and shareholders' equity	<u>2,256.1</u>	<u>2,097.8</u>

Transportadora de Gas del Sur S.A.
Consolidated Statements of Cash Flows for the six-month periods
ended June 30, 2001 and 2000
(In millions of Argentine pesos)

	<u>Six-month periods</u> <u>ended June 30,</u>	
	<u>2001</u>	<u>2000</u>
Cash flows from operating activities		
Net income for the period	69.4	61.0
Reconciliation of net income for the period to cash flows from operating activities:		
Depreciation of property, plant and equipment	37.1	36.0
Amortization of intangible assets	5.4	3.5
Consumption of materials	0.5	0.3
Increase of allowances	0.6	-
Changes in assets and liabilities:		
Trade receivables	(15.5)	(14.5)
Other receivables	(0.2)	(6.9)
Inventories	(2.3)	0.2
Accounts payable	4.8	(0.6)
Payroll and social security taxes	(1.4)	(0.9)
Taxes payable	(0.3)	0.7
Other liabilities	(0.2)	0.0
Interest payable and others	1.7	(2.4)
Cash flows from operating activities	<u>99.6</u>	<u>76.4</u>
Cash flows used in investing activities		
Investment in subsidiary	(0.1)	-
Additions to property, plant and equipment	(139.7)	(39.2)
Acquisition of Argentine Government Bond	(10.0)	-
Cash flows used in investing activities	<u>(149.8)</u>	<u>(39.2)</u>
Cash flows from (used in) financing activities		
Proceeds from loans	229.0	306.1
Payment of loans	(164.2)	(385.5)
Net increase (decrease) in short term debt	25.1	44.2
Dividends paid	(45.7)	(52.4)
Cash flows from (used in) financing activities	<u>44.2</u>	<u>(87.6)</u>
Net decrease in cash and cash equivalents	(6.0)	(50.4)
Cash and cash equivalents at the beginning of year	<u>19.9</u>	<u>62.1</u>
Cash and cash equivalents at the end of period	<u>13.9</u>	<u>11.7</u>

YOU ARE CORDIALLY INVITED TO PARTICIPATE IN A
TELECONFERENCE PRESENTATION BY:



(NYSE: TGS; Merval: TGSU2)

August 10, 2001

9:00 a.m. New York Time
10:00 a.m. Buenos Aires Time

Please call:
U.S. Participants: (888) 318-6432
International Participants: (334) 260-0508

During this call, senior management will discuss the Company's Second Quarter and First Half 2001 results. A question-and-answer session will follow

Presenting for TGS:

MR. EDUARDO OJEA QUINTANA, CHIEF EXECUTIVE OFFICER

There will be a replay of the call available until 11:59 pm (EST) on Friday, August 17, 2001. To access this replay, or if you have any questions, please call **Alex Cancio** of Thomson Financial/Carson at (212) 701-1973.

If you would like us to update your information, please fill out this form and FAX it back to: **(212) 509-5824**

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