



### **Contacts in Buenos Aires**

#### **Investor Relations**

Eduardo Pawluszek, Finance & Investor Relations Manager  
Gonzalo Castro Olivera, Investor Relations  
(gonzalo\_olivera@tgs.com.ar)  
María Victoria Quade, Investor Relations  
(victoria\_quade@tgs.com.ar)  
Tel: (011-5411) 4865-9077

#### **Media Relation**

Rafael Rodriguez Roda  
Tel: (011-5411) 4865-9050 ext. 1238

### **Contacts in New York**

Alex Cancio, Manager  
(alex.cancio@tfn.com)  
Mariana Crespo, Associate Director  
(mariana.crespo@tfn.com)  
**Thomson Financial /Carson**  
Tel: (212) 701-1973

## **TGS Reports Third Quarter Earnings**

**FOR IMMEDIATE RELEASE: (Thursday, October 25, 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 third quarter and nine-month period ended September 30, 2001. The Company reported net income of Ps. 37.0 million or Ps. 0.047 per share (Ps. 0.233 per ADS) for the third quarter of 2001, as compared to Ps. 30.3 million or Ps. 0.038 per share (Ps. 0.191 per ADS) for the same quarter of 2000. For the nine-month period ended September 30, 2001, TGS reported net income of Ps. 106.4 million or Ps. 0.134 per share (Ps. 0.670 per ADS), as compared to Ps. 91.3 million or Ps. 0.115 per share (Ps. 0.575 per ADS) for the first nine months of 2000.

"TGS continues to grow its revenues in all of its business segments. However, we still face important challenges mostly associated with the relevant regulatory issues that remain unresolved, as well as the deep economic crisis that Argentina is currently undergoing," said Eduardo Ojea Quintana, Chief Executive Officer of TGS. "These negative factors have adversely affected our investment plans for the current year and for 2002," Mr. Ojea Quintana added.

### **Third Quarter ended September 30, 2001**

Net revenues for the third quarter of 2001 increased by 24.1% to Ps. 147.0 million. The gas transportation segment reported net revenues of Ps. 109.6 million, up from Ps. 98.4 million for the same quarter of 2000, primarily reflecting a rise in the average gas transportation contracted capacity, which increased from 58.7 million cubic meters per day ("MMm<sup>3</sup>/d") (2.07 billion cubic feet per day ("Bcf/d")) for the third quarter of 2000, to 62.5 MMm<sup>3</sup>/d (2.2 Bcf/d) during the current quarter. Such increase in the Company's contracted capacity is due fundamentally to a major system expansion completed at the beginning of June 2001. Additionally, transportation revenues reflect two consecutive U.S. Producer Price Index ("PPI") increases of 4.01% and 0.44% effective January 1, 2001 and July 1, 2001, respectively. However, TGS -as well as all other regulated companies within the Argentine natural gas industry- is not authorized to collect any PPI adjustments starting January 1, 2000. As a result of a judicial ruling, any tariff increase associated to PPI adjustments has been suspended since then. Notwithstanding, TGS trusts that both the Regulatory Framework agreed upon the privatization process

and the additional related governmental decrees will be ultimately respected.

The natural gas liquids (“NGL”) production and commercialization segment reported a Ps. 14.4 million revenue increase, reflecting the effects of an important business restructuring, through which TGS achieved partial ownership of Cerri Complex’s production. However, NGL volumes declined as a result of the start-up of the MEGA project at the beginning of 2001.

Other services segment reported a Ps. 2.9 million revenue increase as a result of new construction and upstream services rendered. Construction services during the current quarter 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).

Current quarter cost of sales and administrative and selling expenses increased by Ps. 20 million compared to the same quarter of last year, mainly reflecting: (i) Ps. 12.5 million in costs incurred in to achieve ownership of the NGL production, (ii) an increase of Ps. 3.1 million in amortization and depreciation expenses, including increased intangible assets depreciation attributable to new accounting rules issued by ENARGAS, effective January 1, 2001, and (iii) an increase in other operational and administrative expenses, including costs incurred to render construction services to third parties. Cost of sales and administrative and selling expenses for the third 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 third quarter of 2000 have been presented on the same basis.

Net interest expense for the third quarter of 2001 decreased by Ps. 3.2 million, compared to the same period of last year, primarily due to a decrease in the average all-in net cost of debt, which fell from 10.57% for the third quarter of 2000 to 8.83% for the current quarter. Reasons for the decline include lower tax on interest, a drop in LIBOR and a successful long-term debt transaction completed in April 2001. However, such positive effects were partially offset by a 10% increase in TGS’s average indebtedness, incurred to finance the Company’s strong capital expenditures program in 2001.

Income tax expense for the third quarter of 2001 increased Ps. 4.7 million compared to the same quarter of 2000, primarily as a consequence of a higher taxable income.

### **Nine-month period ended September 30, 2001**

Net revenues for the nine-month period ended September 30, 2001 increased by 12.8% to Ps. 406.2 million (see Exhibit II for detailed information on business segments). The gas transportation segment reported net revenues of Ps. 315.0 million during the nine-month period ended in September 30, 2001, up from Ps. 287.4 million in the same period of 2000. This revenue rise reflects both PPI increases as well as higher average firm contracted capacity coming from additional gas transportation contracts. As a result, average firm contracted capacity increased from 57.9 MMm<sup>3</sup>/d (2.04 Bcf/d) during the nine-month period ended September 30, 2000, to 60.4 MMm<sup>3</sup>/d (2.1 Bcf/d) for the same period of 2001.

The NGL production and commercialization segment reported a Ps. 29.5 million revenue increase for the first nine months of 2001, from Ps. 49.3 million earned during the same period of 2000. Such rise is principally due to the business restructuring explained above. However, NGL volumes declined as a result of the start-up of the Compañía MEGA S.A. project at the beginning of 2001.

Other services revenues for the nine-month period ended September 30, 2001 declined by Ps. 11.0 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, partially offset by construction and upstream revenues earned during the current period.

Cost of sales and administrative and selling expenses for the nine-month period ended September 30, 2001 increased by Ps. 28 million as compared to the same period of last year, mainly reflecting: (i) Ps. 26.4 million in costs incurred in to achieve ownership of the NGL production, (ii) an increase of Ps. 6.1 million in depreciation and amortization expenses, including new accounting rules applicable to intangible assets issued by ENARGAS, and (iii) an increase of Ps. 4.6 million in other operational expenses, including costs associated to construction services rendered to third parties. All these effects were partially offset by the Ps. 14.1 million one-time cost associated with the pipeline construction reported during the nine-month period ended September 30, 2000, mentioned above. Cost of sales and administrative and selling expenses for the nine-month period ended September 30, 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 same period of 2000 have been presented on the same basis.

Net interest expense for the nine-month period ended September 30, 2001 decreased by Ps. 7.0 million as compared to the same period of last year. This decrease was basically due to lower all-in net cost of debt, which dropped from 10.18% for the 2000 period to 9.30% for the current period. In addition, the Company increased its interest capitalization as a result of higher average capital expenditures incurred during the first nine-month period of 2001. Both increases were partially offset by a slight increase in the Company's average net indebtedness.

Income tax expense for the nine-month period ended September 30, 2001 increased by Ps. 11.1 million as compared to the same period of 2000, primarily reflecting an increased taxable income.

***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 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 third quarters and the nine-month periods ended September 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>3rd Quarter</u>		<u>9 months</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>Net Revenues</b>	<b>147.0</b>	<b>118.5</b>	<b>406.2</b>	<b>360.1</b>
Gas Transportation	109.6	98.4	315.0	287.4
NGL Production and Commercialization	31.1	16.7	78.8	49.3
Other Services	6.3	3.4	12.4	23.4
<b>Cost of sales</b>	<b>58.4</b>	<b>39.5</b>	<b>149.3</b>	<b>123.9</b>
Operation and maintenance	37.9	22.7	91.9	73.8
Depreciation and Amortization Expenses	20.5	16.8	57.4	50.1
<b>Gross Operating Profit</b>	<b>88.6</b>	<b>79.0</b>	<b>256.9</b>	<b>236.2</b>
Administrative and Selling Expenses	6.5	5.4	20.9	18.3
<b>Operating Income</b>	<b>82.1</b>	<b>73.6</b>	<b>236.0</b>	<b>217.9</b>
Other Expense, net	0.5	0.2	1.7	2.8
Net Interest Expense	22.2	25.4	66.2	73.2
<b>Net Income before Income Tax</b>	<b>59.4</b>	<b>48.0</b>	<b>168.1</b>	<b>141.9</b>
Income Tax Expense	22.4	17.7	61.7	50.6
<b>Net Income</b>	<b>37.0</b>	<b>30.3</b>	<b>106.4</b>	<b>91.3</b>
<b>Earnings per share</b>	0.047	0.038	0.134	0.115
<b>Earnings per ADS</b>	0.233	0.191	0.670	0.575
 <i>Selected Financial Information</i>				
Capital Expenditures	14.7	6.9	167.5	27.4
EBITDA	103.0	91.8	295.3	270.1
 <i>Key Selected Ratios</i>				
EBITDA / Net Interest Expense	4.6	3.6	4.5	3.7
Debt / EBITDA (annualized)	2.6	2.7	2.7	2.7
 <i>Operating Data</i>				
<b>Transmission Volumes (million of cf/d)</b>				
Average firm contracted capacity	2,207.2	2,073.0	2,133.0	2,044.7
Average deliveries	1,790.4	1,995.3	1,712.8	1,829.3
 <b>Processing sales (thousands of short tons)</b>				
Ethane	99.5	80.0	246.6	259.5
Propane and Butane	124.9	161.6	331.5	490.9
Natural Gasoline	22.2	28.8	68.1	94.2

## Transportadora de Gas del Sur S.A.

Consolidated Business Segment Information for the nine-month periods ended  
September 30, 2001 and 2000

(In millions of Argentine Pesos)

<u>Nine-month period ended September 30, 2001</u>	<u>Gas Transportation</u>	<u>NGL Production and Commercialization</u>	<u>Other Services</u>	<u>Corporate</u>	<u>Total</u>
Net revenues	315.0	78.8	12.4	—	406.2
Operating income (loss)	224.3	29.8	2.8	(20.9)	236.0
Depreciation of PP&E	43.1	8.1	2.5	3.6	57.3
Additions to PP&E	134.1	2.5	30.0	0.9	167.5
Identifiable assets	1,940.6	186.3	85.1	52.1	2,264.1
 <u>Nine-month period ended September 30, 2000</u>					
Net revenues	287.4	49.3	23.4	—	360.1
Operating income (loss)	202.7	29.0	4.5	(18.3)	217.9
Depreciation of PP&E	38.3	8.3	2.6	4.9	54.1
Additions to PP&E	20.8	1.5	3.2	1.9	27.4
Identifiable assets	1,797.4	192.6	50.0	54.1	2,094.1

Breakdown of Net Interest Expense for the nine-month period ended  
September 30, 2001 and 2000

	<u>Nine-month period ended September 30, 2001</u>	<u>Nine-month period ended September 30, 2000</u>
All-in interest expense	(70.1)	(76.9)
Interest on investments	<u>3.9</u>	<u>3.7</u>
<b>All-in net interest expense</b>	(66.2)	(73.2)
Average net indebtedness	1,030.2	1,000.7
Average all-in net cost of debt	9.30%	10.18%

**Transportadora de Gas del Sur S.A.**  
**Consolidated balance sheets as of September 30, 2001 and 2000**  
**(In millions of Argentine pesos)**

	<u>September 30,</u>	
	<u>2001</u>	<u>2000</u>
<b>Current assets</b>		
Cash	0.9	0.8
Investments	10.9	16.4
Trade receivables	61.0	69.9
Other receivables	10.2	12.4
Inventories	<u>4.7</u>	<u>1.6</u>
<b>Total current assets</b>	<u><b>87.7</b></u>	<u><b>101.1</b></u>
<b>Non current assets</b>		
Trade receivables	65.8	9.8
Other receivables	10.4	14.1
Investments	10.0	-
Property, plant and equipment, net	2,046.6	1,922.5
Intangible assets, net	<u>43.6</u>	<u>46.6</u>
<b>Total non current assets</b>	<u><b>2,176.4</b></u>	<u><b>1,993.0</b></u>
<b>Total assets</b>	<u><b>2,264.1</b></u>	<u><b>2,094.1</b></u>
<b>Current liabilities</b>		
Accounts payable	42.7	31.1
Loans	138.6	227.1
Payroll and social security taxes	4.4	3.6
Taxes payable	34.6	25.1
Other liabilities	<u>0.7</u>	<u>1.1</u>
<b>Total current liabilities</b>	<u><b>221.0</b></u>	<u><b>288.0</b></u>
<b>Non current liabilities</b>		
Loans	<u>942.3</u>	<u>752.5</u>
<b>Total liabilities</b>	<u><b>1,163.3</b></u>	<u><b>1,040.5</b></u>
<b>Shareholders' equity</b>	<u><b>1,100.8</b></u>	<u><b>1,053.6</b></u>
<b>Total liabilities and shareholders' equity</b>	<u><b>2,264.1</b></u>	<u><b>2,094.1</b></u>

**Transportadora de Gas del Sur S.A.**  
**Consolidated statements of cash flows for the nine-month periods**  
**ended September 30, 2001 and 2000**  
**(In millions of Argentine pesos)**

	<b>Nine-month periods</b>	
	<b>ended September 30,</b>	
	<b>2001</b>	<b>2000</b>
<b>Cash flows from operating activities</b>		
Net income for the period	106.4	91.3
<b>Reconciliation of net income for the period to cash flows from operating activities:</b>		
Depreciation of property, plant and equipment	57.3	54.1
Amortization of intangible assets	8.5	5.2
Consumption of materials	0.7	0.5
Increase of allowances	0.7	-
<b>Changes in assets and liabilities:</b>		
Trade receivables	(32.7)	(16.5)
Other receivables	3.0	(8.4)
Inventories	(3.5)	0.4
Accounts payable	8.0	3.8
Payroll and social security taxes	0.0	(0.1)
Taxes payable	11.4	(3.7)
Other liabilities	(0.5)	0.4
Interest payable and others	11.8	18.2
<b>Cash flows from operating activities</b>	<b>171.1</b>	<b>145.2</b>
<b>Cash flows used in investing activities</b>		
Contributions to related company	(0.4)	-
Additions to property, plant and equipment	(182.3)	(47.0)
Acquisition of Debt Securities	(10.0)	-
<b>Cash flows used in investing activities</b>	<b>(192.7)</b>	<b>(47.0)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from loans	264.0	306.1
Payment of loans	(173.3)	(389.3)
Net increase in short term debt	20.6	35.2
Interest rate hedge agreements	(3.6)	-
Dividends paid	(94.2)	(95.1)
<b>Cash flows from (used in) financing activities</b>	<b>13.5</b>	<b>(143.1)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(8.1)</b>	<b>(44.9)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>19.9</b>	<b>62.1</b>
<b>Cash and cash equivalents at the end of period</b>	<b>11.8</b>	<b>17.2</b>