

2005 – Financial Results

(The financial results summary has been prepared based on unconsolidated financial statements in US Dollars)

SECOND QUARTER	USD millions			YEAR TO DATE		
	2005	2004		%	2005	2004
29.6	29.2	1.4%	Total Revenues from Operations (*)	58.1	56.3	3.2%
14.6	15.0	-2.7%	Operating Profit	30.2	31.4	-3.8%
13.1	10.2	28.4%	Net Income	26.2	21.6	21.3%

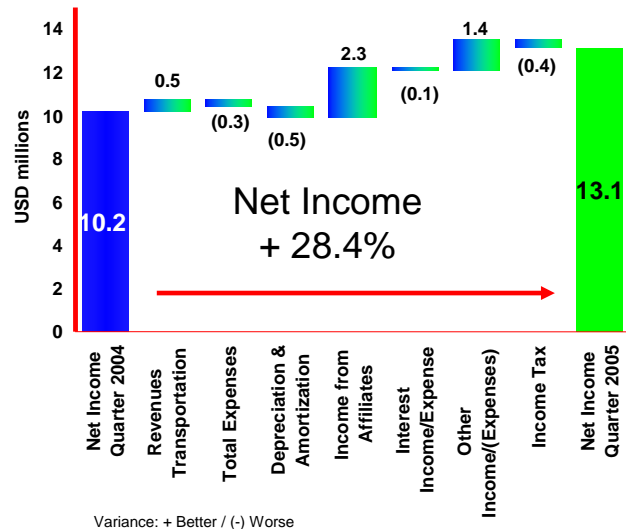
(*) after transaction tax and SIRESE levy

SECOND QUARTER	USD millions			YEAR TO DATE	
	2005	2004		2005	2004
16.0	17.8		Cash Flow provided by Operating Activities	20.6	23.0
(9.8)	0.2		Cash Flows provided by / (used) in Investment Activities	(8.3)	(0.8)
(10.8)	(21.4)		Cash Flows provided by / (used) in Financing Activities	(12.8)	(24.0)

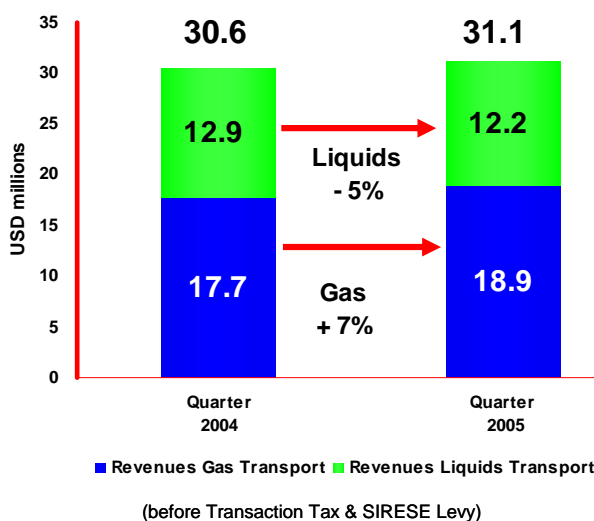
- Net Income for the second quarter of 2005 was USD 13.1 million, 28.4% higher than the similar quarter in 2004, largely driven by increased revenues and improved results from affiliates
- Total revenues from operations reached USD 29.6 million in the second quarter 2005, a 1.4% increase from the second quarter 2004
- Capital Investments of USD 11 million were made during the quarter which included expenditures related to the expansion of the Southern Liquids System and the "GAA-Gasoducto al Altiplano" in the Domestic Gas System
- USD 20 million of principal was paid to the Local Bond Holders Series "D"
- USD 10.4 million was received from the first disbursement of "B" Loans from the Multilateral Financing facility provided by IDB, CAF, and B-Loan participants

Net Income

Transredes S.A generated USD 13.1 million of Net Income during the second quarter 2005, 28.4% higher than the same period last year. The increase was primarily driven by the growth of gas transportation revenues related to higher volumes triggered by increased domestic and export demands. Total Expenses increased associated with new operating facilities to meet the requirements of the aggregated transportation volumes flow. Depreciation and Amortization expenses were higher resulting from growth of the Fixed Asset base, derived from completion of scheduled continuity of service and expansion projects. Income from affiliates was higher due to GasTransBoliviano improved revenues related to the introduction of standard tariff for interruptible volumes effective 2005. Interest Expense increased related to the first disbursement of the "B" Loan Facility from IDB and CAF received in the second quarter 2005. Higher Other Income due to quarterly currency exchange gains associated to the original debt (denominated in Yen and Euro) which was transferred to the company as part of the capitalization process in 1997. Tax expense increased as a direct effect of a higher net income taxable base.



Transportation Revenues



Gas transport revenues increased by 7% during the second quarter 2005 compared with the same period last year. This differential is the result of increased demand in the domestic market primarily driven by more gas utilization for electricity generation to meet demand from the industrial and power (thermal dispatch) sectors. Export Gas Revenues were higher due to increased volumes delivered to Brasil and Argentina. Additionally, higher volumes on the Transierra system have positively impacted recovery of the Deferred Account Surcharge (SCD) and the Domestic Market Subsidy (TEMI).

Liquids transport revenues decreased by 5% in the second quarter 2005 due to lower flow of liquids volumes for the export market, compared with the corresponding 2004 quarter. The domestic sector was also negatively impacted by deliveries interruptions as a result of blockades and national social unrest.

Cash Flow

Cash flow provided by operating activities was USD 16 million in the second quarter 2005. The increased Net Income was used to reduce the Operating Liabilities.

Cash flow in investment activities for the quarter included USD 11 million of capital expenditures in the TransreDES pipeline system. These expenditures were concentrated in the southern liquids expansion, the domestic gas expansion, and continuity of service projects which ensure the reliability and safety of existing transportation facilities. Interest received from investments in the Bolivia-Brasil pipeline amounted to USD 1.2 million.

Cash flow used in financing activities during the second quarter 2005 includes the USD 20 million principal payment to Local Bond Holders Series "D" on maturity date. A positive financing cash inflow of USD 10.4 million was received as the first disbursement of "B" Loans from the Multilateral Financing facility provided by IDB, CAF and B-Loan participants.

Dividends

Treatment of 2004 results will be considered in the Shareholders General Assembly Meeting to be held in September 2005. To date, the Company has fully paid distributable retained earnings up to 2003 for a cumulative amount of USD 146.5 million.

NET INCOME STATEMENT SUMMARY								
QUARTERS				(*) %	USD millions	YEAR TO DATE		
Q2 2005	Q1 2005	Q2 2004				2005	2004	%
18.9	17.2	17.7		6.8%	Transport of Natural Gas	36.1	34.6	4.3%
12.2	12.8	12.9		-5.4%	Transport of Liquids & Storage	24.9	24.4	2.0%
(1.5)	(1.4)	(1.4)			Transaction Tax and SIRESE Levy	(2.9)	(2.7)	
29.6	28.6	29.2		1.4%	Total Revenue from Operations	58.1	56.3	3.2%
(7.1)	(6.1)	(6.8)			Operating Expenditures (net)	(13.3)	(13.2)	
-	-	-			Obsolescence - Materials Inventory	-	-	
(7.1)	(6.1)	(6.8)			Total Operating Costs	(13.3)	(13.2)	
22.5	22.5	22.4		0.4%	Gross Profit (EBITDA)	44.8	43.1	3.9%
(6.2)	(5.6)	(5.8)			Depreciation - Fixed Assets	(11.8)	(8.6)	
(1.7)	(1.5)	(1.6)			Amortization - Deferred Account	(3.2)	(3.1)	
(7.9)	(7.1)	(7.4)			Total Depreciation and Amortization	(15.0)	(11.7)	
-	-	-			Income (Expenses) Extraordinary	-	-	
-	0.3	-			Other Income (Expenses) Net	0.4	-	
-	0.3	-			Total Other Expenses	0.4	-	
14.6	15.7	15.0		-2.7%	Operating Profit	30.2	31.4	-3.8%
3.6	2.9	1.3			Income from Investments in Affiliated Companies	6.5	2.6	
2.8	3.4	2.9			Interest Income	6.2	5.9	
(6.4)	(6.5)	(6.4)			Interest Expense	(12.9)	(12.7)	
1.5	0.7	-			Other Income (Expenses)	2.2	(0.1)	
1.5	0.5	(2.2)			Total Income (Expenses) from Affiliates & Financial	2.0	(4.3)	
16.1	16.2	12.8			Profit before Income Tax	32.2	27.1	
(3.0)	(3.0)	(2.6)			Income Tax - Deferred	(6.0)	(5.5)	
13.1	13.2	10.2		28.4%	Net Income	26.2	21.6	21.3%

(*) Variance Q2 (2005 vs 2004)

BALANCE SHEET SUMMARY			
USD millions	Jun 2005	Mar 2005	Jun 2004
ASSETS			
Current Assets			
Cash and Cash Equivalents	70.8	75.4	43.5
Accounts Receivable Trade	14.6	14.4	21.7
Other Current Assets	17.9	12.7	8.5
Total Current Assets	103.3	102.5	73.7
Non Current Assets			
Fixed Assets (Net of Depreciation)	464.3	459.6	452.3
Investments/Loans to Affiliated Companies	96.0	94.9	98.9
Deferred Account (Net of Amortization)	127.8	129.5	133.8
Other Non Current Assets	31.1	27.1	27.6
Total Non Current Assets	719.2	711.1	712.6
TOTAL ASSETS	822.5	813.6	786.3
LIABILITIES AND NET EQUITY			
Current Liabilities			
Accounts Payable Trade	7.2	4.9	4.8
Current Portion of Long Term Debt	33.4	30.6	32.6
Provisions and Other Current Liabilities	6.5	7.3	4.8
Total Current Liabilities	47.1	42.8	42.2
Non Current Liabilities			
Long Term Debt	294.4	306.5	283.1
Deferred Taxes	45.1	42.0	35.1
Other Non Current Liabilities	6.2	6.1	7.2
Total Non Current Liabilities	345.7	354.6	325.4
TOTAL LIABILITIES	392.8	397.4	367.6
NET EQUITY			
Paid-in Capital and Paid-in in Excess of Par	361.1	361.1	361.1
Cumulative Foreign Currency Exchange Adjustment	(3.9)	(4.3)	(4.9)
Legal Reserve	10.5	8.6	6.9
Retained Earnings	62.0	50.8	55.6
TOTAL NET EQUITY	429.7	416.2	418.7
TOTAL LIABILITIES AND NET EQUITY	822.5	813.6	786.3

STATEMENT OF CASH FLOW SUMMARY					
QUARTERS			USD millions	YEAR TO DATE	
Q2 2005	Q1 2005	Q2 2004		2005	2004
			Cash Flow provided by Operating Activities		
13.1	13.2	10.2	Net Income	26.2	21.6
10.5	9.9	12.5	Depreciation, Amortization and Accruals	20.4	21.7
(7.6)	(18.5)	(4.9)	Changes in Operating Assets and Liabilities	(26.0)	(20.3)
16.0	4.6	17.8	Total Cash Flow provided by Operating Activities	20.6	23.0
			Cash Flows provided by / (used) in Investment Activities		
1.2	8.1	4.0	Increase (Decrease) Investments in Affiliated Companies	9.4	6.2
(11.0)	(6.6)	(3.8)	Capital Investments	(17.7)	(7.0)
(9.8)	1.5	0.2	Total Cash Flows used in Investment Activities	(8.3)	(0.8)
			Cash Flows provided by / (used) in Financing Activities		
-	-	-	Dividends Payments	-	-
(20.0)	-	(20.0)	Bond Payments	(20.0)	(20.0)
(1.2)	(2.0)	(1.4)	Debt Payment	(3.2)	(4.0)
10.4	-	-	Increase in Loans	10.4	-
(10.8)	(2.0)	(21.4)	Total Cash Flows used in Financing Activities	(12.8)	(24.0)
(4.6)	4.1	(3.4)	Net Increase (Decrease) in Cash and Cash Equivalents	(0.5)	(1.8)
70.8	75.4	43.5	Cash and Cash Equivalents Ending Balance	70.8	43.5