

2006 – Financial Results

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

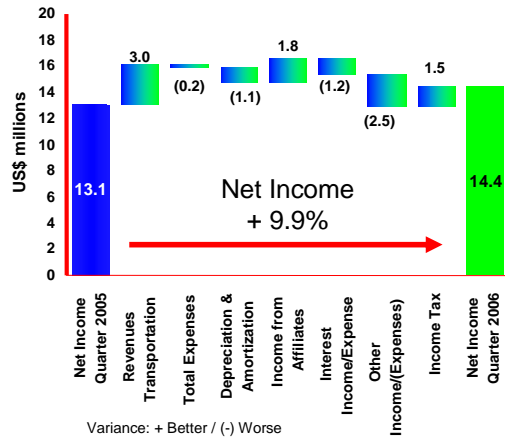
SECOND QUARTER			US\$ millions	YEAR TO DATE		
2006	2005	%		2006	2005	%
32.5	29.6	9.8%	Total Revenues from Operations (*)	63.7	58.1	9.6%
16.3	14.6	11.6%	Operating Profit	32.2	30.2	6.6%
14.4	13.1	9.9%	Net Income	27.7	26.2	5.7%

(*) after transaction tax and SIRESE levy

SECOND QUARTER			US\$ millions	YEAR TO DATE	
2006	2005			2006	2005
17.4	16.0		Cash Flow provided by Operating Activities	27.4	20.6
(23.0)	(9.8)		Cash Flows provided by / (used) in Investment Activities	(23.4)	(8.3)
(20.6)	(10.8)		Cash Flows provided by / (used) in Financing Activities	(8.1)	(12.8)

- Net Income for the second quarter of 2006 was US\$ 14.4 million, 9.9% higher than the similar quarter in 2005
- Total revenues from operations reached US\$ 32.5 million in the second quarter 2006, a 9.8% increase from the second quarter 2005.
- Capital Investments of US\$ 28 million were made during the quarter which included expenditures related to the expansion of the GAA-II (Gasoducto al Altiplano) and Continuity of Service projects.
- US\$ 20 million of principal was paid to the Local Bond Holders Series "E"

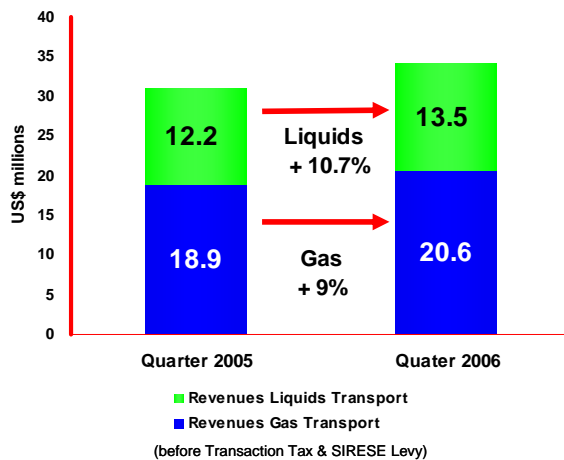
Net Income



Transredes S.A generated US\$ 14.4 million of Net Income during the second quarter 2006, 9.9% higher than the same period last year. The increase was primarily driven by the growth of gas and liquids 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 projects for continuity of service, the South Liquids Expansion, the new stations in GAA-Gasoducto al Altiplano, and the rehabilitation of the Carrasco-Cochabamba pipeline. Income from affiliates was higher primarily due to GasTransBoliviano improved results associated to increased volumes transported to Brasil. Interest Expense increased as

additional disbursements were received from the Multilateral Financing facility provided by Inter-American Development Bank (IDB) and Corporación Andina de Fomento (CAF). Other Income/(Expenses) includes a loss in 2006 related to current behavior of exchange rate effect on non-US Dollar denominated debt inherited during the capitalization process. Income Tax expense decreased due to monthly indexation to local currency in 2006.

Transportation Revenues



Gas transport revenues increased by 9% during the second quarter 2006 compared with the same period last year. The gas export revenues improved with respect to the similar quarter of the prior year as a result of increased exports volumes to Brazil and Argentina. The gas domestic revenues were also higher primarily driven by increased demand from the industrial sector and Compressed Natural Gas for vehicles.

Liquids transport revenues grew by 10.7% in the second quarter 2006 as compared with the corresponding 2005 quarter, following higher gas production. The incremental Liquid volumes were exported through the Arica Terminal.

Cash Flow

Cash flow provided by operating activities was US\$ 17.4 million in the second quarter 2006, 9% higher than the equivalent 2005 quarter primarily driven by increased Net Income for the period.

Cash flow in investment activities for the quarter included US\$ 28 million of capital expenditures in the TransreDES pipeline system. These expenditures were concentrated in domestic gas expansion of the GAA II-Gasoducto al Altiplano, and continuity of service projects which ensure the reliability and safety of existing transportation facilities. Cash received from affiliates included payment from Gas TransBoliviano S.A. of US\$ 5 million.

Cash flow used in financing activities during the second quarter 2006 were focused to the US\$ 20 million principal payment to Local Bond Holders Series "E" on maturity date.

Dividends

Treatment of 2005 results will be considered in the Shareholders General Assembly Meeting to be held later in the year.

NET INCOME STATEMENT SUMMARY							
QUARTERS			(*) %	US\$ millions	YEAR TO DATE		
Q2 2006	Q1 2006	Q2 2005			2006	2005	%
20.6	19.0	18.9	9.0%	Transport of Natural Gas	39.6	36.1	9.7%
13.5	13.8	12.2	10.7%	Transport of Liquids & Storage	27.3	24.9	9.6%
(1.6)	(1.6)	(1.5)		Transaction Tax and SIRESE Levy	(3.2)	(2.9)	
32.5	31.2	29.6	9.8%	Total Revenue from Operations	63.7	58.1	9.6%
(7.3)	(6.4)	(7.1)		Total Operating Costs	(13.7)	(13.3)	
25.2	24.8	22.5	12.0%	Gross Profit (EBITDA)	50.0	44.8	11.6%
(7.3)	(7.2)	(6.2)		Depreciation - Fixed Assets	(14.5)	(11.8)	
(1.7)	(1.7)	(1.7)		Amortization - Deferred Account	(3.4)	(3.2)	
(9.0)	(8.9)	(7.9)		Total Depreciation and Amortization	(17.9)	(15.0)	
-	-	-		Income (Expenses) Extraordinary	-	-	
0.1	-	-		Other Income (Expenses) Net	0.1	0.4	
0.1	-	-		Total Other Expenses	0.1	0.4	
16.3	15.9	14.6	11.6%	Operating Profit	32.2	30.2	6.6%
5.4	3.8	3.6		Income from Investments in Affiliated Companies	9.3	6.5	
3.0	3.0	2.8		Interest Income	6.0	6.2	
(7.8)	(7.7)	(6.4)		Interest Expense	(15.4)	(12.9)	
(1.0)	(0.3)	1.5		Other Income (Expenses)	(1.5)	2.2	
(0.4)	(1.2)	1.5		Total Income (Expenses) from Affiliates & Financial	(1.6)	2.0	
15.9	14.7	16.1		Profit before Income Tax	30.6	32.2	
(1.5)	(1.4)	(3.0)		Income Tax - Deferred	(2.9)	(6.0)	
14.4	13.3	13.1	9.9%	Net Income	27.7	26.2	5.7%

(*) Variance Q2 (2006 vs 2005)

BALANCE SHEET SUMMARY

US\$ millions	Jun 2006	Mar 2006	Jun 2005
ASSETS			
Current Assets			
Cash and Cash Equivalents	101.8	128.0	70.8
Accounts Receivable Trade	12.4	11.9	14.6
Other Current Assets	15.4	17.7	17.9
Total Current Assets	129.6	157.6	103.3
Non Current Assets			
Fixed Assets (Net of Depreciation)	493.1	472.5	464.3
Loans to Affiliated Companies	79.4	77.7	96.0
Deferred Account (Net of Amortization)	121.3	122.9	127.8
Permanent Investments/Other Non Current Assets	55.2	50.1	31.1
Total Non Current Assets	749.0	723.2	719.2
TOTAL ASSETS	878.6	880.8	822.5
LIABILITIES AND NET EQUITY			
Current Liabilities			
Accounts Payable Trade	10.6	6.1	7.2
Current Portion of Long Term Debt	52.4	38.6	30.2
Provisions and Other Current Liabilities	4.8	8.1	9.8
Total Current Liabilities	67.8	52.8	47.2
Non Current Liabilities			
Long Term Debt	302.8	330.7	294.4
Deferred Taxes	50.3	48.8	45.1
Other Non Current Liabilities	1.1	6.3	6.1
Total Non Current Liabilities	354.2	385.8	345.6
TOTAL LIABILITIES	422.0	438.6	392.8
NET EQUITY			
Paid-in Capital and Paid-in in Excess of Par	361.1	361.1	361.1
Cumulative Foreign Currency Exchange Adjustment	3.3	3.3	(3.9)
Legal Reserve	10.5	10.5	10.5
Retained Earnings	81.7	67.3	62.0
TOTAL NET EQUITY	456.6	442.2	429.7
TOTAL LIABILITIES AND NET EQUITY	878.6	880.8	822.5

STATEMENT OF CASH FLOW SUMMARY					
Quarters			US\$ millions	YEAR TO DATE	
Q2	Q1	Q2		2006	2005
2006	2006	2005			
			Cash Flow provided by Operating Activities		
14.4	13.3	13.1	Net Income	27.7	26.2
12.5	12.9	10.5	Depreciation, Amortization and Accruals	25.5	20.4
(9.5)	(16.1)	(7.6)	Changes in Operating Assets and Liabilities	(25.8)	(26.0)
17.4	10.1	16.0	Total Cash Flow provided by Operating Activities	27.4	20.6
			Cash Flows provided by / (used) in Investment Activities		
5.0	4.0	1.2	Increase (Decrease) Investments in Affiliated Companies	9.0	9.4
(28.0)	(4.4)	(11.0)	Capital Investments	(32.4)	(17.7)
(23.0)	(0.4)	(9.8)	Total Cash Flows used in Investment Activities	(23.4)	(8.3)
			Cash Flows provided by / (used) in Financing Activities		
-	-	-	Dividends Payments	-	-
(20.0)	-	(20.0)	Bond Payments	(20.0)	(20.0)
(0.6)	(2.6)	(1.2)	Debt Payment	(3.1)	(3.2)
-	15.0	10.4	Increase in Loans	15.0	10.4
(20.6)	12.4	(10.8)	Total Cash Flows used in Financing Activities	(8.1)	(12.8)
(26.2)	22.1	(4.6)	Net Increase (Decrease) in Cash and Cash Equivalents	(4.1)	(0.5)
101.8	128.0	70.8	Cash and Cash Equivalents Ending Balance	101.8	70.8