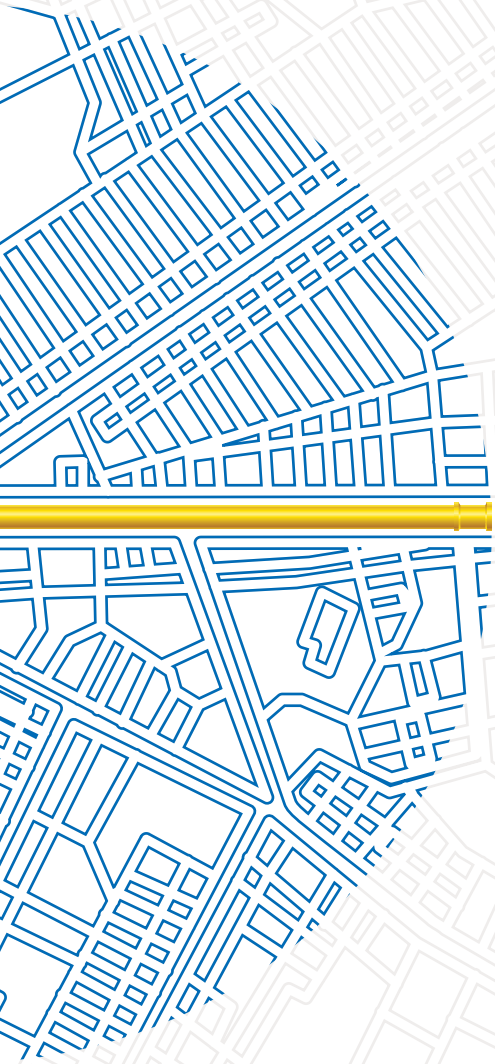


annual report **2010**

COMGAS
Natural

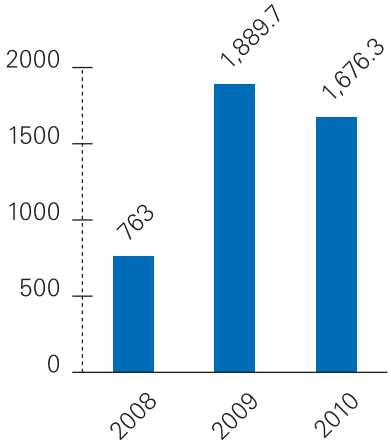
KEY INDICATORS

In millions of cm	2008 (IFRS - not audited)	2009 (IFRS)	2010 (IFRS)
Total volume	5,253	4,261	4,916
Industrial	3,855	3,314	3,688
Residential	136	144	163
Commercial	100	95	101
Vehicle	525	369	318
Thermoelectric generating	333	21	308
Cogeneration	304	318	332
Number of customers			
Residential	765,103	869,138	977,750
Commercial	8,885	9,265	9,760
Automotive	401	373	367
Industrial	1,004	973	982
Cogeneration	20	23	23
Thermoelectric generating	2	2	2

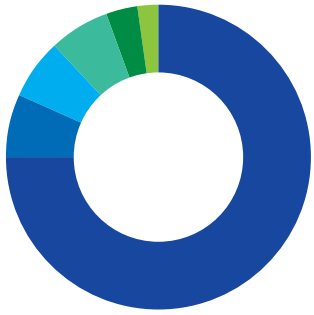
In R$ million	2008	2009	2010
Stockholders' equity	839	1,304	1,376
Total Assets	3,713	3,760	3,848
Investments	404	409	405
Gross revenues	5,016	5,161	5,101
Net revenues	3,973	4,116	4,095
Gross profit	810	1.672	1.520
Operational income (before financial result)	337	1,155	972
Ebitda	479	1,363	1,188
Net profit	130	690	580
Gross debt	1,584	1,649	1,500
Net debt	1,545	1,455	1,355

	2008	2009	2010
Number of employees	952	948	979
Number of outsourcers	3,123	3,543	4,170
Productivity (millions of cm/inhouse employees)	5.5	4.5	5.0
Current Liquidity	0.46	0.69	0.69
Return on net assets (%)	15.49	52.91	42.15
Net debt/ Ebitda (%)	3.23	1.07	1.14
Gross margin (%)	20.39	40.62	37.12
Ebitda margin (%)	12.05	33.13	29.01
Net margin	3.27	16.76	14.16
Net earnings per share (R$)	1.08	5.76	4.84
Dividends proposed (R$ million)	128.84	28.1	83696.1
Total shareholder remuneration (R$ million)	275.4	268.4	427.4
Dividends paid out on prior year income (R$ million)	275.4	199.9	365.0
Interest on own capital paid on year's income (R$ million)	–	68.5	62.4
Environmental investments (R$ million)	NA	3.9	3.9
Value Added Statement (R$ million)	763.5	1,889.70	1,676.30

Value Added Statement (in millions of R$)



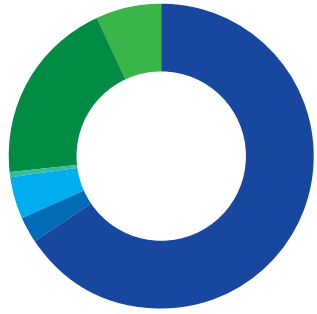
Volume per segment



75,1% Industrial
6,8% Cogeneration
6,5% NGV
6,3% Thermal generation
3,3% Residential
2,1% Commercial

Total: 4.91 billion of m^3

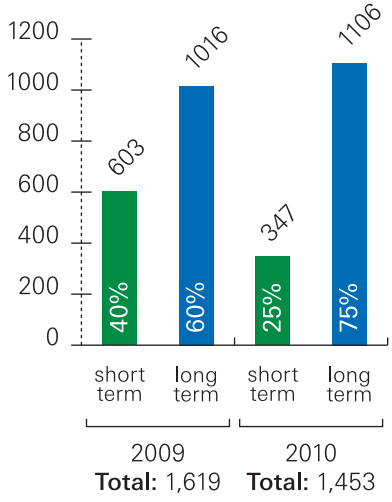
Margin per segment



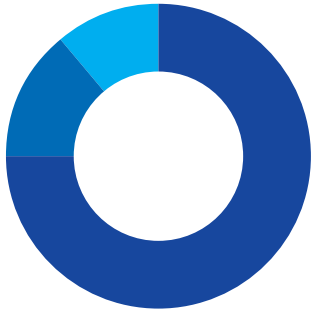
65,8% Industrial
2,8% Cogeneration
4,2% NGV
0,7% Thermal generation
19,6% Residential
6,9% Commercial

Total: R$ 1.5 billion

Total indebtedness (in millions of R$)

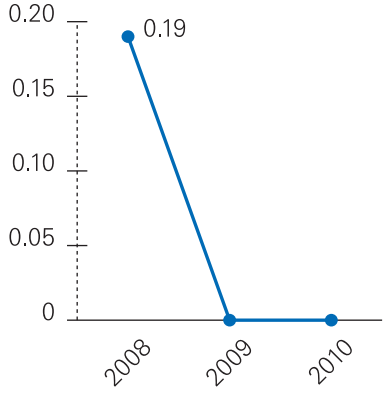


Indebtedness composition



75% BNDES
14% EIB
11% Others

Lost time injury frequency



Concession area

- Gás Brasiliano
- Gas Natural São Paulo Sul
- Comgás

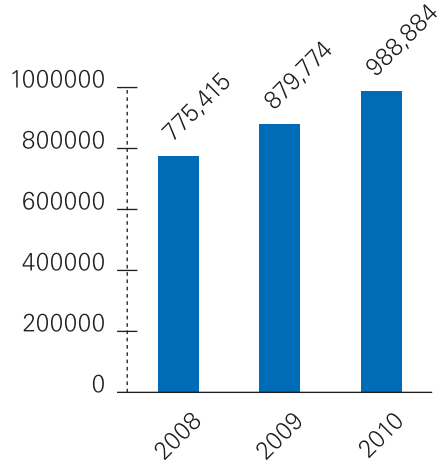
Comgás concession area detains
27% of Brazil's GPD

Costumers	
Residential	977,750
Commercial	9,760
Industrial	982
NGV	367
Cogeneration	23
Thermal generation	2

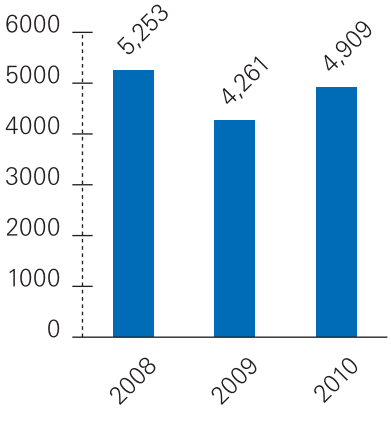
Concession areaadvantages

Pipeline intersection:
Gasbol, Gasan e Galpal
Short distance supply:
Santos Basin
High demografic density

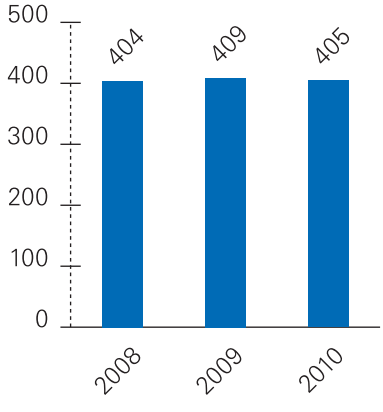
Total of consumers



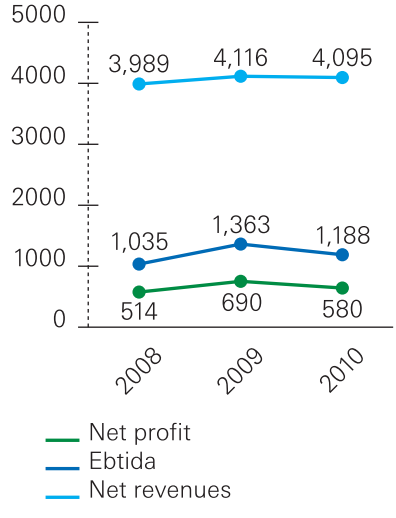
Total volume distributed (in millions of m³)



Investiments (in millions of R$)



Results evolution - net profit, ebitda and net revenues (in millions of R$)



annual report **2010**

COMGAS
Natural

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about this report

The publication of this Annual Sustainability Report translates Comgás's aims for transparency and ensuring that our commitment to sustainable development for our operations will become increasingly clear to all stakeholders. Since the publication referring to 2005, the document has been prepared based on Global Reporting Initiative (GRI) indicators and guidelines - now in their third version - with our self-declared "C" level of application.

The data here refer to the period from January 1 through December 31, 2010. Indicators shown cover all Comgás operational units. The task of collecting and consolidating data involved staff from the main internal business areas.

The structure of the document basically follows that of the previous Sustainability Report published in April 2010. However, the financial data have been significantly altered due to the adoption of the IFRS (International Financial Reporting Standards) model for financial statements.

All numbers, including those reported in the previous report have been adapted to the IFRS model to ensure transparency when analyzing the evolution of our data. Economic and financial results have been determined in accordance with current rules and standards in Brazil and audited by consulting firm PricewaterhouseCoopers.

The most relevant data for the public with which Comgás interacts have been prioritized, following strict methodologies for their control. Social and environmental data have been produced from internal compilations and checks without the participation of our outside auditors.

Comgás has provided an e-mail address: relatorioanual@comgas.com.br for questions or suggestions concerning the contents of this publication. Comments and criticisms from stakeholders are crucial to improve reporting and disclosure and ensure alignment of interests.

1 institutional profile

COMGÁS IS BRAZIL'S BIGGEST DISTRIBUTOR OF PIPED NATURAL GAS WITH A PORTFOLIO OF 988,884 CUSTOMERS IN SIX SEGMENTS: RESIDENTIAL, COMMERCIAL, INDUSTRIAL, VEHICLE, COGENERATION AND THERMOELECTRIC GENERATING.

In 2010, it distributed 9.9 billion cubic meters – amounting to a quarter share of the domestic market - and its 6,900 km of pipelines accounted for 35.7% of Brazil's piped gas distribution network. Net revenue totaled R$ 4.1 billion for net income of R $ 580 million.

Comgás is subject to the rules of the State of São Paulo Water and Energy Regulatory Agency (ARSESP), under a concession contract dating from May 1999, when it was privatized. The concession - for a period ending in 2029 but renewable for another 20 years - refers to distribution of natural gas in the metropolitan regions of São Paulo, Campinas, Vale do Paraíba and Santos - an area totaling 177 municipalities and accounting for 27% of Brazil's Gross Domestic Product (GDP). Comgás serves customers in 68 towns and cities.

It has administrative headquarters and an operational unit in the State capital of São Paulo and eight units in the regions served. Business is run in line with our "zero injury - high performance" slogan, which translates the strategy of expanding business while protecting the integrity of our staff of 979, with 4,170 outsourcers and our assets.

Since 1997, Comgás stock has been traded on the São Paulo stock exchange (BM&FBovespa) under ticker symbols CGAS3 (common) and CGAS5 (preferred). With 71.9% of share capital, our controlling shareholder is Integral Investments, comprising the BG Group (BG São Paulo Investments B.V,) and the Shell Group (Shell Gas BV), which hold 83.5% and 16.5% respectively. Shell Brazil Holding BV has a 6.3% holding of Comgás and 21.8% of the shares are owned by other shareholders.

In 2010, there were no changes in share ownership or size and structure of Comgás.

SHAREHOLDERS

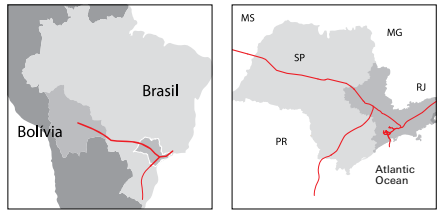
BG

The BG Group is a world leader in the energy sector. Present in 25 countries on five continents, its business spans the entire natural gas chain from exploration to distribution. In Brazil since the privatization of Comgás in 1999, the BG Group has constantly expanded its presence in the domestic natural gas market. It helped develop the infrastructure required to produce gas in the Santos Basin and is now operating in the pre-salt layer within them and in the Tupi and Guara basins, among others. BG has pioneered the supply of liquefied natural gas in Brazil.

Shell

Shell is an Anglo-Dutch company doing business in 90 countries. It first came to Brazil in 1913, with a focus on retail sales and fuel, lubricants, chemicals and supplies and distribution. In the productive chain, it is active in exploration and production, power generation and the natural gas market, in which it has operated since 1997 when it bought Comgás stock and got involved in the Bolivia-Brazil pipeline.

MAP OF CONCESSION AREA



- Comgás concession area
- Municipalities supllied by Comgás
- Comgás distribution network
- Pipelines in study
- Transport pipelines
- City-Gate
- Main Roads

MISSION, VISION AND VALUES

Mission

Keeping Comgás on a sustained growth path, meeting investor expectations for earnings, adopting the best management practices, and complying with regulatory and legal obligations.

Providing our services reliably and safely under competitive conditions, offering solutions that exceed customer expectations.

Working with social responsibility and respect for the environment in a positive organizational climate, ensuring safe practices based on ethical values and principles.

Vision

We will make Comgás the biggest and best natural gas distributor in Latin America, providing the service efficiently for everybody, and be a benchmark for the market while creating value for our customers, shareholders and society in general.

Values

- Ethics
- Safety
- Social responsibility
- Client oriented
- Team work
- Innovation
- Committed to results
- Empowerment
- Respect for individuals

MESSAGE FROM THE BOARD OF DIRECTORS

We ended the year 2010 celebrating the strength of our business. The period was marked by international financial recovery and by Brazil's economic, political and institutional maturity, which was directly reflected in Comgás performance.

The external scenario combined with our strategic direction has brought us good results. A standout was the regionalization of our business and operations; our continued application of best corporate governance practices, including the adoption of IFRS-model financial statements since the second quarter ; and our staff and outsourcers aligning with our ambition of reaching zero injury and high performance. These initiatives helped to grow business and strengthen our shares in the marketplace.

Our achievements in the year facilitated out complying with regulatory norms and targets agreed with the State of São Paulo Water and Energy Regulatory Agency (ARSESP). In 2010, we were audited and approved in relation to the last target to be met in the first decade of the concession license: the replacement of 312,950 meters. We are particularly noting these matters due to our awareness of our responsibility to administer a public service. Therefore, we seek sustainable growth and wish to contribute directly and indirectly to development in the area in which we operate, which now accounts for more than 25% of Brazil's Gross Domestic Product (GDP).

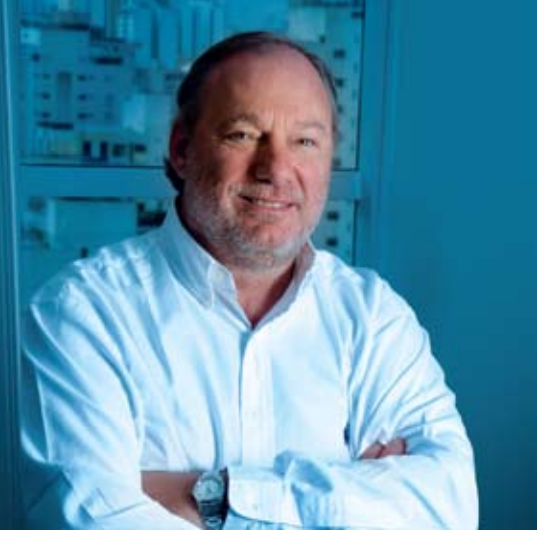
Once again, we are reporting 100,000 new connections for residential customers in the year. At the same time, we have made substantial progress in sectors such as cogeneration and air conditioning, which shows our ability to identify new business.

Market and investor confidence in relation to Comgás has also translated in the form of 200 million euros funding from the European Investment Bank (EIB), which will enable our continued plans for growing and modernizing our business while reinforcing the piped gas distribution network.

Our credibility arises precisely from the fact that proposals made to shareholders are put into practice with due concern for the integrity of our people and our assets. We ended yet another year without serious incidents and we continue to pursue the goal of zero injuries. This is our obsession: ensuring maximum safety and efficiency in our work, which we believe is the best way of obtaining growth for Comgás and the natural gas market in Brazil.

My thanks go to everybody who has supported us for this mission, especially employees, partners and shareholders, and you are asked to continue working with us in the coming years.

Nelson Silva
President of Comgás
Board of Directors



MESSAGE FROM THE PRESIDENT

In 2010, we pursued with more determination and focus on our utopia translated in the slogan of zero injury - high performance launched early in the year and disseminated to all our employees and partners. We believe that increasing customer numbers alone is not enough; it has to be done through efficient processes and absolutely safe operations, so that our growth is sustainable and no professional is sent home injured. We are nearing the milestone of 1 million customers, which takes us to a new level. Comgás is now the biggest distributor of piped natural gas in Brazil and a benchmark for the market. This implies a commitment to be exemplary in relation to taking good care of our staff and facilities.

Buoyed by this belief, our actions show stakeholders the kind of company we are aiming to build, and that we are capable of doing so. Our 2010 numbers reflect a number of achievements. For the second consecutive year, we have surpassed 100,000 new customers connected, which required the construction of 642 km of new pipeline distribution network. As our products reached new markets and industrial production got back on a growth path, volume of gas sold rose 15.2% on the previous year to reach 4.9 billion cm. Taking part in gas auctions held by Petrobras was crucial to offering natural gas to our customers on more competitive terms. We logged 11,113,737 man-hours worked in 2010 with just one reportable incident in the period. This shows that our insistence on safety is being assimilated and put into practice by our staff internally and by our outsourced companies, but we must remain steadfast in the pursuit of our zero incidents target.

We have over 4,000 outsourced professionals and we take energetic measures to ensure they are aligned with our values, especially in relation to safety. In 2010, we launched our monitoring program for contractors or outsourcers. Our main partners are evaluated monthly to detect any problems, adopt improvements and recognize best practices. Depending on their scores, we will introduce contractual revisions or even, as a last resort, remove them from our supplier base. Those with higher scores, on the other hand, are rewarded on Comgás Partner Day, when we show how well they are performing.

We invested over R$ 400 million in 2010 to advance our business, especially residential customers and the air conditioning and electricity cogeneration markets. We are optimistic, therefore, in relation to the target of incorporating more than 300,000 customers to our base by 2014, as per our agreement signed with the State of São Paulo Water and Energy Regulatory Agency (ARSESP).

We also set up our corporate education program (Growth Academy) to train professionals in the process - involving sales,

laying pipelines and extensions, and internal fittings through to actually connecting new customers. The initiative involves management staff and technicians both in-house and outsourced, in order to strengthen the dissemination of our corporate values and objectives.

In this scenario of achievements, we were challenged by the need to make adjustments to remedy difficulties arising from the adoption (in 2009) of new solutions for our invoicing system with various business areas of Comgás adapting to an integrated platform for IT systems (CCS-SAP). This tool has become an ally in the internal advances we are planning for the coming years. Alterations and instability arising from this new platform were reflected in a slight decrease in the level of customer satisfaction: from 86% in 2009 to 85% in 2010. Being aware of our responsibility, we have taken practical measures incorporated in a project to accelerate problem solving called DNA II, which requires technological measures, reviews of business processes and user education. Initiatives are already underway and we believe we will be able to boost user satisfaction levels within a short time.

Our respect for consumers and the community also encourages us to invest in the social area. Our sociocultural sponsorship fund accepted a record number of projects for its fourth season: 288. In mid 2011, we will publish a list of the projects selected to use the R$ 1.5 million investment. The same amount was spent in 2010 for ten initiatives in 14 cities in our concession area that benefited some 30,000 people. The Comgás Fund was set up to encourage cultural projects in the areas of theater, music, dance, and literature, among others. Through this program, Comgás encourages and values cultural activity in the various cities where it operates

We continued to run the Comgás Apprentice Program (PAC), which trains public school system teachers and encourages students to develop social projects in their communities in partnership with an NGO called Cidade Escola Aprendiz. In 2010, some 200 young people in nine towns or cities benefited directly from the initiative, through 22 projects in the areas of environment, culture, communication, health, sport, citizenship and education.

Based on these achievements and good prospects we wish to thank all our shareholders, suppliers, outsourcers and customers, and especially our staff, whose efforts and dedication show that we are competently dealing with our responsibilities - which grow in same proportion as Comgás and its customer base. Our stakeholders' commitment and support means that we can say without a doubt that nothing is impossible for the Comgás team.

Luis Domenech
President of Comgás

2

corporate governance

COMGÁS IS COMMITTED TO ADOPTING PRACTICES THAT ENSURE RELIABILITY AND TRANSPARENCY FOR ITS INITIATIVES AND DISCLOSURE OF FINANCIAL AND OPERATIONAL RESULTS TO THE MARKET.

We follow Sarbanes-Oxley Act recommendations although we are not subject to them on an obligatory basis. Comgás' corporate governance is exercised through an integrated system of internal rules, including policies, standard procedures and instructions, especially the Code of Conduct. The latter governs the behavior of all professionals working for Comgás and determines the organization's approach to business based on corporate principles posing commitments to society, the business, health, safety and the environment. Our Corporate Governance Manual compiles bylaws of the board of directors and fiscal council, and our audit committee, as well as procedures relating to market disclosure and trading in Comgás shares.

In 2010, Comgás adopted IFRS standards for financial statements. It also retained its Moody's Baa3 rating and Aa1 issuer rating.

GOVERNANCE STRUCTURE

Comgás's highest decision-making body is the shareholders' general meeting, which normally takes place once a year before April 30, with special meetings when called. This instance determines the direction of Comgás's operations, and discusses and votes proposals from management, investments and financial statements - guided by opinions from the fiscal council and our outside auditors - and elects or removes members of the board of directors and fiscal council. The structure also includes an executive board and various supporting committees.

The board of directors defines strategies and determines the general organization of business and provides management with guidelines in pursuit of better results. Our fiscal council and audit committee support the board of directors and an internal structure of approval committees and discussion commission.

BOARD OF DIRECTORS

The board consists of nine members elected for two year periods, with reelection for the same period allowed. Ordinary meetings are held bimonthly or whenever the need arises. There were four special meetings in 2010.

Company employees are entitled to elect one member, and they did so in 2010. Duties of board members include deciding general guidelines for the business; discussing and voting strategic issues; and electing and removing officers, and defining their duties.

Remuneration for board members is allocated based on actual participation in meetings and determined at annual general meetings. Except for the representative of employees, all other members waived the right to remuneration for their positions in 2010. Comgás directors do not receive stock based remuneration. Board members at the end of 2010:

Nelson Luiz Costa Silva
President

Luis Augusto Domenech
Vice-president

Counselors
Pedro de Andrade Faria
Sonia Maria Brotas Lima
Roberto Schloesser Junior
Alexandre Cerqueira da Silva
Benedict John Thorpe Wright
Marcelo Menicucci Esteves
Sidney Batista da Rocha

(Board members's profiles may be seen at the address: www.comgas.com.br/investors)

EXECUTIVE BOARD

Comprising seven members, elected by the board of directors for a two-year mandate renewable for the same period.

Duties are to take all measures required for smooth operation of Comgás and propose management guidelines. The board's annual scorecard is duly approved by the controlling shareholders and used as criterion when assessing their performance. On December 31, 2010, the executive board consisted of the following members:

Luis Augusto Domenech
CEO

Sérgio Luiz da Silva
Vice president and Commercial, Planning and Gas Supply

Carlos Eduardo Freitas Brescia
Regulatory and Institutional Affairs

José Carlos Broisler
Operations

Leonardo Serra Netto Lerner
Legal Officer

Marcus Vinicius Vaz Bonini
Growth, Marketing and Relationship

Roberto Collares Lage
Finance and Investor Relations

(Profiles of executive board members may be seen at the address: www.comgas.com.br/investors)

FISCAL COUNCIL

Designated by general meetings, consists of five members serving for one year, who may be reelected. This is a standing body whose responsibilities include to overseeing management of the business, analyzing Comgás related issues and reporting to shareholders, and ensuring that objectives as stated in the bylaws are reached with ethics, fairness and transparency. In 2010, the body consisted of:

Counselors
Thatiana Moura Meirelles
Guilherme Parente Caldas Barreto
Paulo Caio Ferraz de Sampaio
Vladimir Ferreira Francisco

(Profiles of members of the fiscal council may be seen at this address: www.comgas.com.br/investors)

SUPPORTING BODIES

As stipulated in its bylaws, Comgás has an audit committee comprising two to five members designated by the board of directors for a one-year mandate, and must meet three times a year. Among its responsibilities are to support the board by analyzing the process of submitting financial statements; how Comgás's management ensures and monitors the adequacy of internal financial controls; operations, compliance and risk management procedure; conducting internal audits; and in relation to selection, dismissal, payment and impartiality of work done by outside auditors.

In addition to the audit committee, Comgás has the following non-statutory committees of first instance - presidency and board levels:

- Crisis management committee
- HSEQ Central Committee
- Human Resources Committee
- Ethics Committee
- Central Asset Integrity Committee

INVESTOR RELATIONS

In line best corporate governance practices, Comgás Investor Relations reports to shareholders, investors and the market conveying company information with quality, consistency and transparency, in compliance with laws and rules required by regulatory agencies.

Our Investor Relations site is one of the main channels for disclosing information to the market and the public. Through the web address www.comgas.com.br/investors, visitors may access detailed financial information, quarterly and annual reports and press releases on material events.

Investor Relations maintains an exclusive communication channel using e-mail (investidores@comgas.com.br) so that interested parties may contact Comgás, and provides automatic emails sent to inboxes containing information about updates that have occurred in sections they themselves have selected. To provide information and disclose material information to analysts and market professionals, IR also holds half-yearly earnings conferences and meetings with those interested. It also participates in meetings and events organized by financial institutions.

WHISTLEBLOWER CHANNEL

There is also the "Open Channel", telephone (0800 7024080) or email (canalaberto@comgas.com.br) for employees, customers, the community or suppliers to report suspected fraud, misconduct or any other issue contrary to Comgás values. Callers do not have to be identified. All demands are routed to the "Fraud Officer" (for more details see 38), who ensures confidentiality, neutrality and independent investigation.

BOARD OF DIRECTORS

President
Nelson Luiz Costa Silva

Vice-president
Luis Augusto Domenech

Counselors
Pedro de Andrade Faria
Sonia Maria Brotas Lima
Roberto Schloesser Junior
Alexandre Cerqueira da Silva
Benedict John Thorpe Wright
Marcelo Menicucci Esteves
Sidney Batista da Rocha

Fiscal Counsil

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Guilherme Parente C. Barreto
Paulo Caio Ferraz de Sampaio
Vladimir Ferreira Francisco

CEO
Luis Augusto Domenech

Vice president and Commercial, Planning and Gas Supply
Sérgio Luiz da Silva

Regulatory and Institutional Affairs
Carlos Eduardo de Freitas Brescia

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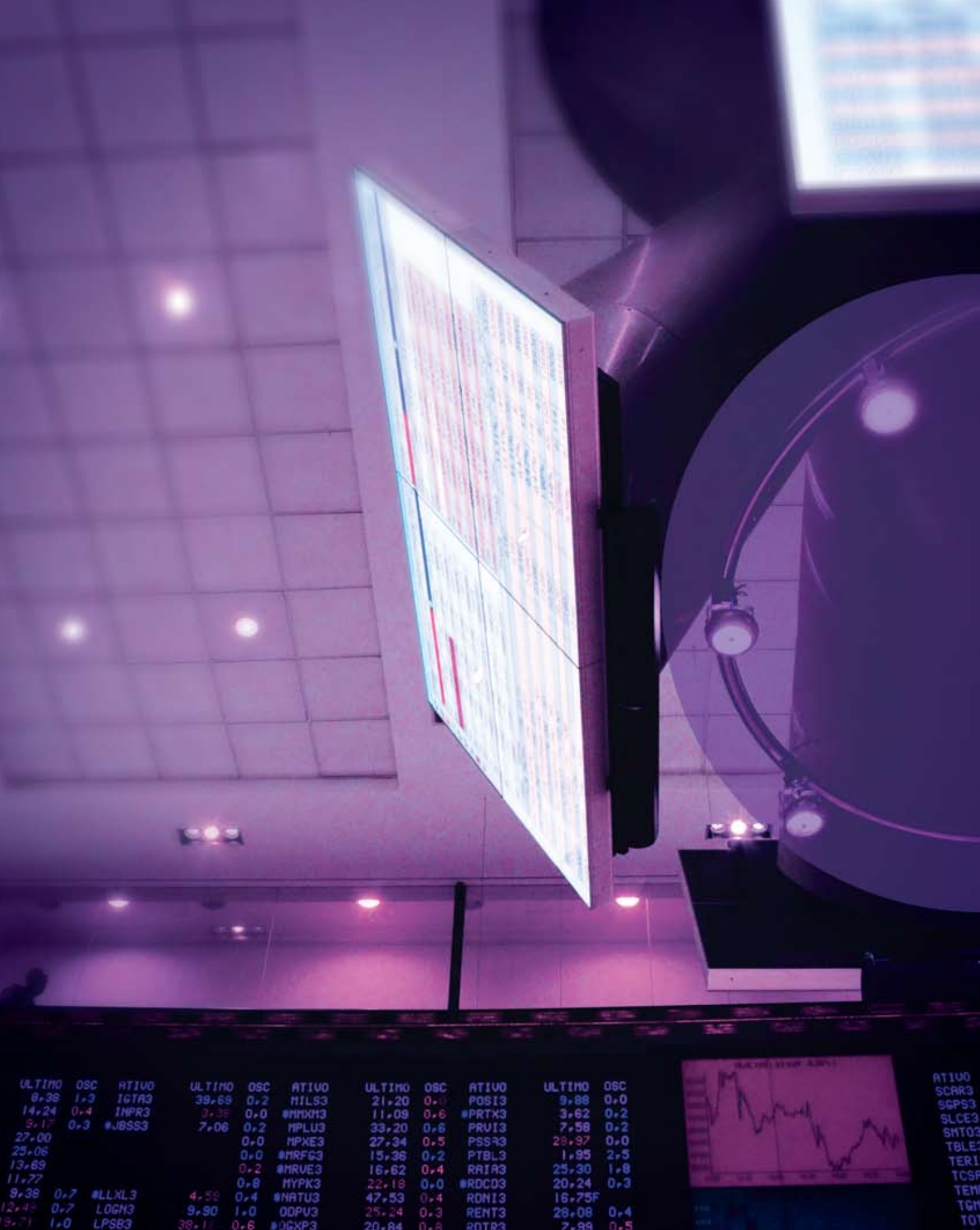
Roberto Collares Lage


ULTIMO OSC ATIVO
8,38 1,3 IGTA3
14,24 0,4 INPR3
9,17 0,3 #JBSS3
27,00
25,06
13,69
11,77
9,38 0,7 #LLXL3
12,49 0,7 LOGN3
19,71 1,0 LPSB3
ULTIMO OSC ATIVO
39,69 0,2 MILS3
3,38 0,0 #MMXM3
7,06 0,2 MPLU3
0,0 MPXE3
0,0 #MRFG3
0,2 #MRVE3
0,8 MYPK3
4,59 0,4 #NATU3
9,90 1,0 ODPV3
38,11 0,6 #OGXP3
ULTIMO OSC ATIVO
21,20 0,0 POSI3
11,09 0,6 #PRTX3
33,20 0,6 PRVI3
27,34 0,5 PSSR3
15,36 0,2 PTBL3
16,62 0,4 RAIA3
22,18 0,0 #RDCO3
47,53 0,4 RDNI3
25,24 0,3 RENT3
20,84 0,8 RDTR3
ULTIMO OSC
9,88 0,0
3,62 0,2
7,58 0,2
28,97 0,0
1,95 2,5
25,30 1,8
20,24 0,3
16,75F
28,08 0,4
7,99 0,5
ATIVO
SCAR3
SGPS3
SLCE3
SMTO3
TBLE3
TERI
TCSA
TEMP
TGMA
TOT

3

strategy and business

COMGÁS'S STRATEGY PRIORITIZES EXPANSION OF THE NETWORK OF PIPED GAS DISTRIBUTION AND THE CUSTOMER BASE TOO - ESPECIALLY THE RESIDENTIAL SEGMENT.

Achieving these goals involves the slogan zero injury - high performance, which calls for 100 000 consumers to be incorporated into the customer base each year, with efficiency, flexibility, quality and total safety.

Comgas is also committed to universalizing natural gas supplies by offering attractive solutions for different segments, and meet the other target agreed with ARSESP under its five-year plan (2009-2014).

To analyze challenges and opportunities, Comgás has started Project Evolution II, in order to eliminate possible bottlenecks and ensure the conditions required to reach business efficiency through optimization and synergy of processes, systems and organizational structure, in order to constantly improve its strategy. One result of this proposal was the regionalization of business, which included eight new Expansion and Sales units across the concession area in 2010. The new structure makes for more streamlined decision making differentiated service respecting local characteristics.

To ensure supply for all regions, Comgás created a Demand Planning system. Based on market analysis from each area, this ascertains the right levels of materials and labor needed to maintain operations using reliable suppliers.

The objective was to build out the customer base by offering appropriate solutions for the reality and needs of each locality and strengthening positive attributes of natural gas such as convenience and safety. Key actions to achieve this purpose were the corporate education program (Growth Academy) launched in 2010, and the dissemination of best practices related to Health, Safety, Environment and Quality (HSEQ) for outsourcers.

Comgás's strategy is also supported by two other initiatives: the Operational Excellence project, reviewing processes and conditions for growth in subsequent periods, focusing on developing materials and training manpower; and the Commercial Excellence project in which our marketing unit surveyed potential customers, customer needs and satisfaction with products and services. The study involved training with sales agents, determining remuneration for partner firms and new marketing strategies.

To meet other challenges, Comgás reviewed its supply strategy to factor in proximity and opportunities arising from events such as the World Cup and the expected growth of the customer base. Our survey charted gas needs over the next ten years and ways of serving this demand.

GOOD NEWS: RESIDENTIAL ENERGY EFFICIENCY SEAL

Comgás gained another ally in its strategy for growing its residential market share and boosting gas consumption per unit. In 2010, Eletrobrás and the National Institute of Metrology, Standardization and Industrial Quality (Inmetro), with the support of a program called Procel Edifica, launched the National Energy Conservation label for residences and buildings under the Brazilian Labeling Program. This identifies the level of energy efficiency in homes, gated communities and shared-use areas in based on capability for installing facilities alternative to energy consumption. Depending on volume of energy consumed, facilities will be rated "A" to "E", with "A" being the most efficient. Innovation may pose new business opportunities, since residential buildings designed to use natural gas for heating of water may well reach the maximum level of efficiency. This solution is directly related to the results of the Ministry of Mines and Energy project "Efficient Building Concept" highlighting the use of natural gas, which was developed in the context of Comgás' Research & Development Program in partnership with the Institute of Electrical Technology and Energy at Universidade São Paulo (USP).

TOOLS

To monitor performance, Comgás uses a scorecard reflecting objectives set for safety issues, financial performance, operational excellence and strategic goals. It also involves the profit sharing program (for more details see page 47). Personnel management drafts performance contracts to cover these objectives and the role of each individual in reaching them.

Decisions on new investments are based on the Value Assurance Framework (VAF) methodology, which enables us to evaluate risks and opportunities and set up multi-disciplinary groups to choose among alternatives that add more value for Comgás. Committees also support decision-making.

Comgás has recently migrated its systems to the SAP platform. Stabilization, convergence and complementation with new functionalities continued during the year. The new platform provides support for Comgás to grow while maintaining quality and efficiency.

In addition, through our Strategic Radar, managers posed 20 issues they saw key priorities for Comgás in 2010. They are divided into six major areas: HSEQ and Asset Integrity, Expansion, Regulatory and Institutional, Gas Supplies, Relationship and Loyalty, and People.

The Emergency Room introduced in 2009 has been improved with the adoption of new software. The room centralizes data on customers and consumption of natural gas and maps Comgás's pipeline networks, which enables

rapid emergency response - 97.29% of these cases were dealt with within an hour in 2010. The structure consists of 11 operational bases covering the entire concession area, thus providing services quickly and efficiently.

Our fleet totaled 376 vehicles at the end of 2010. Comgás uses GPS technology to ensure efficient response to emergencies. The vehicle nearest to the location of the caller is contacted. By the end of 2011, all vehicles will probably be equipped with GPS.

Comgás also replaced the odorant added to natural gas. The new chemical is more stable in contact with gas and provides assurance that the product will not lose its odor when reacting with the additive. In addition, we started using a polyethylene pipe locator known as the Gas Tracker, which has technology similar to sonar probes. The new equipment enhances inspection of the network and helps reduce damage to pipelines.

Testing was conducted to introduce "daily electronic site reporting", so that staff fill out indicators and immediately send data to the responsible department. In addition to streamlining the process, this measure cuts back on consumption of paper by scanning reports and facilitating the sending of documentation to sites in the field.

MARKETING

Comgás marketing strategy is aligned with its regionalization process. Campaigns focus on publicizing the company, its service and benefits for each segment in the locations served.

Initiatives are guided by market surveys and customer research. For example, focus groups prior to entering a market help better understand residents in the cities or districts, their habits and behaviors and their knowledge and perception in relation to natural gas. In new regions, the Comgás brand and the benefits of natural gas are printed on pizza boxes, posters, banners and pamphlets, and other materials in commercial establishments such as pharmacies and beauty salons. The aim is to provide first contact with Comgás for prospective customers and acquaint them with the brand.

Another initiative to achieve more contact was launching two magazines, Seja + and Meu Momento. The covers of these publications always feature TV anchor Ana Maria Braga as our poster girl due to her empathy with the target audience. Ms Braga was selected after surveys pointed to a relationship between her image and leadership, reliability, style and glamour attributes. Seja + magazine was developed in partnership with Editora Abril and sent to potential clients' homes. Our other magazine, Meu Momento, focuses on selling water-heaters for residential buildings.

We also developed a communication concept emphasizing the benefits of connecting to piped gas (Vale + ter Comgás). The aim was to show differentials reaching beyond those claimed by competitors and emphasize Comgás as the best option for consumers, in addition to transmitting its attributes. Part of the initiative was to put up a hotsite at www.valemaistercomgas.com.br.

All Comgás advertising shows respect for stakeholders and voluntarily follows the recommendations of Brazil's National Self-Regulation Council (CONAR). None of the complaints made to the council last year involved our campaigns.

INFORMATION TECHNOLOGY

Our main IT project in 2010, known as DNA II, continued our strategy for system convergence and stabilization of the SAP platform to host our Customer Relationship Management (CRM) and sales management data. DNA II enhanced our business processes and involved issues related to training our business areas to use new resources. Solutions based on the SAP platform, such as Treasury Management, were key deployments for Comgás business. Our CRM unit mapped all points affecting customer service and defined action plans to remedy deficiencies. The study also involved Comgás continuously reporting its improvements and results to ARSESP.

Other IT initiatives highlighted in the period:

• Human Resources adopted the Business Process Outsourcing model for payroll management to a company that also uses the SAP platform.

• Introduction of Portfolio Management Project, which provides better visibility of all processes required of the Information Technology department.

• An application adding value for our georeferencing system was introduced (Geogás Online). This tool enables professionals to use laptops to remotely access information on the Comgás network in order to examine feasibility for new installations.

• In partnership with the municipality of São Paulo, we developed a project (Comvias) to provide data on Comgás pipelines, thus streamlining the process of obtaining approval for additions or extensions.

• Improved facilities at our Data Processing Center lessened the chances of power failures interrupting our core business. Solutions were introduced using three different sources of power: UPS units for all data processing equipment; static switching, and identification of all circuits. We also ran several fault simulation tests.

THE GAS MARKET IN BRAZIL

The Brazilian Piped Gas Distributors Association (Abegás) reported that gas consumption reached an average of 52.9 million cubic meters per day in 2010 - which was 35.5% up on 2009 – with a pipeline distribution network total of 19,300 km, or 6.3% longer than the previous period's 18,200 km. Customer numbers rose 7.52% to 1.8 million from 1.7 million in the previous period. Driving growth of volume distributed was industry - industrial consumption rose 20.2% to 26.2 cm / day - and a significant 171% jump in power dispatched from thermoelectric plants. Residential segment consumption rose to 768,900 cm per day and showed a 7.2% increase on 2009, while the commercial segment grew 6.62% to 652 800 cm per day. The automotive segment showed a 4.72% fall to 5.7 million cm per day. Most of our business areas resumed growth due to the global economic recovery and the strengthening of the Brazilian economy.

The year was marked by regulations introduced by the Gas Law, which, among other provisions, created a ten-year plan for gas pipeline expansion (known as PEMAT) and regulated third-party access to gas pipelines and operational swapping. The new arrangements will enable agents to offer natural gas to the Brazilian market, which will probably heighten competitiveness in the segment, and provide regulations for the exclusivity period. By setting clear rules, the segment is likely to attract more new investment too. The most recent data on the natural gas share of the energy matrix were published in "National Energy Balance 2010", which reflected 2009, when the industry faced difficulties arising from the international crisis. This document states that the share of natural gas was down 1.6 percentage points from the previous year at 8.7%.

Gas market in the State of São Paulo

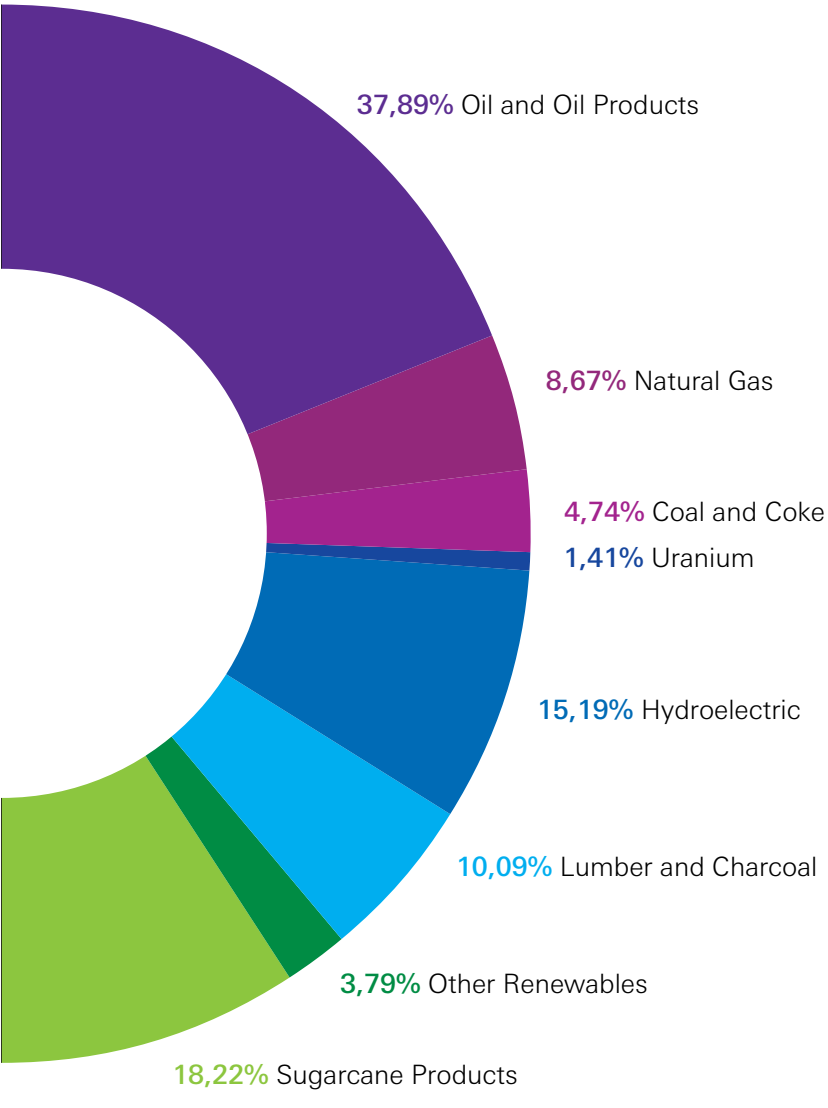
The State of São Paulo has three concession areas for natural gas distributors. Two other companies - Gas Natural São Paulo Sul and Gás Brasiliano - are active in addition to Comgás, which is São Paulo's oldest distributor and Brazil's second oldest. Founded on August 28, 1872, Comgás supplies some 90% of all natural gas distributed in the State and its concession area accounts for 27% of Brazil's GDP.

Comgás performance

In line with the scenario nationwide, Comgás posted sales growth: volume of gas distributed by Comgás in 2010 was 15.2% up on 2009, rising from 4.3 to 4.9 billion cm. Recovery is geared to the resumption of industrial production and significant expansion of our residential customer base. For the second consecutive year, Comgás connected over 100,000 new customers and will beat the 1 million consumers record in the first half of 2011. The number of meters installed in all markets in our concession area grew from 703,084 units in the previous year to 767,214. There were more clients than meters since one single device may be used by a residential apartment building.

The year was marked by an investment of R$ 405 million for pipeline network expansion in

National Energy Balance 2010



Source: BEN 2010 [National Energy Balance 2010]

particular, and we laid 642 km of pipeline. In addition to extending the distribution network, the funds were used to reinforce the entire system, renovate old pipelines and replace meters and pressure reduction stations.

Residential market

The residential market was of strategic importance for our growth in 2010, with 108,612 new entries joining our customer base taking the total to 977,750. Volume of gas distributed reached 163 million cm, an increase of 13.1% on 2009.

Our Retail project continued to add homes to the Comgás pipeline network. A total of 19,141 units were added in 2010, which was 35% up on the previous year. Comgás has expanded its operations to gain more space in the new housing segment. This type of expansion is significant since Comgás has close relations with the building industry, designers and developers, and is participating and contributing to the current construction boom.

Our residential customer numbers are growing fast in the city of São Paulo and others including São Bernardo do Campo, Osasco, Guarulhos, Campinas, Santos, Americana and Alphaville. We are investing in communications and marketing around this growth (for more details see page 26). We also work in customer retention and increase the average consumption per unit, encouraging the use of gas in addition to the equipment used for cooking.

Commercial market

Also reflecting our strategy for regionalization and strong expansion, the commercial segment showed 6.3% volume growth in the period to a total of 101 million cm distributed, or 6 million cm more than 2009. Our consumer portfolio jumped from 9,265 to 9,760 - an increase of 5.3%.

The commercial segment has tracked growth in the residential segment and a series of different marketing strategies have been used to enhance our potential to serve different business profiles. The year's highlight was an initiative aimed at closer relations with major customers and ensuring continuous contact with them even after signing our contract.

Industrial market

This segment accounted for more than 70% of volume distributed and showed an advance on the previous year. Volume went from 3.3 to 3.7 billion cm. Our strong partnership relationship with customers got us through the peak of the crisis in 2009 and was instrumental in renewing all their contracts and winning over new consumers. A highlight was the significant increase in demand, especially in the ceramics segment.

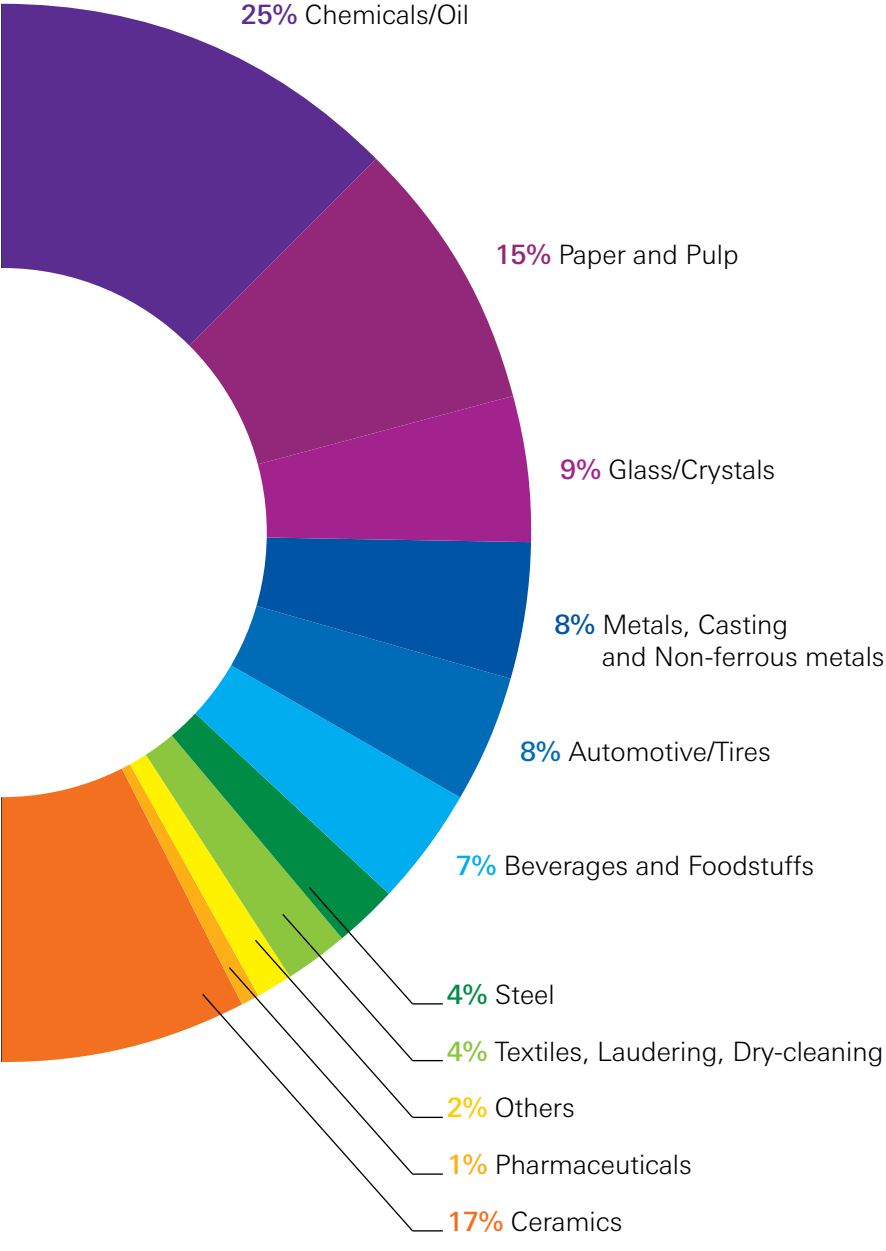
Comgás also carried out internal restructuring to upgrade our services for industry. We created a business area working exclusively with major customers and another for relationships with smaller companies. This development expanded our B2B business and provided the right conditions for further studies in relation to segment competitiveness.

HVAC and cogeneration

Gas volume delivered to the cogeneration market rose 4.5% on 2009, from 318.1 to 332.6 million cm. In the cogeneration market, advanced generation and air conditioning consumption for stores was up 37% rise, again due to the cooling tariff that we announced in 2009. This result facilitated our penetration of markets in which Comgás had not previously been active, such as banks (HVAC) and restaurants (cogeneration).

To broaden our procurement portfolio, Comgás sent representatives to Japan and Korea to present the potential of the Brazilian market and search for new equipments and services suppliers. As a result, two Japanese companies started to sell equipment in Brazil and another two are now seeking local representatives. It also increased the confidence of the investors to adopt these solutions.

Share by Industry in 2010



Comgás is also aiming to provide lines of credit to stimulate demand. In 2011, there will be more intensive contact with designers to disseminate information about the gas market, new technologies and the efficiency of locally manufactured equipment.

Market research looking at the potential for HVAC in São Paulo detected business opportunities equivalent to 300,000 TRs (tons of refrigeration). Among its selling points, Comgás can point to lower costs than electric powered HVAC and up to 91% less consumption of electricity by air conditioning units.

Automotive market

In 2010, Comgás distributed 317.7 million cm of natural gas for use in vehicles (NGV), which was 13.9% less than the previous year's volume. It is estimated that there are 200,000 vehicles powered by natural gas, in Comgás's concession area. At the end of the year, Comgás was supplying NGV to 367 filling stations.

A highlight in the period was the publication of ARSESP ruling 165/2010, which regulates procedures to enable utilities distributing natural gas in the State of São Paulo to use part of the natural gas volume purchased in auctions held by Petrobras for this segment, thus boosting the competitiveness of NGV in relation to other fuels: the cost of the product was reduced by 25,3%. This was a great and expected new to the market and open new perspectives to 2011.

In Campinas, Comgás tested the use of NGV by a bus company (public transport), and the technical results were approved. There were better than expected results from a 100% natural gas powered vehicle that was submitted to field trials by working a normal transportation route. More technical and financial evaluations are being made and the experimental period is to be extended for another six months, during which period Comgás will be researching ways of ensuring greater autonomy for the vehicle, thus raising its competitiveness. Comgás is working to close partnership deals with companies operating urban load carrying vehicles in the State capital, so that they will start using NGV. These projects are fully integrated to the São Paulo State Politics for the new uses and markets of natural gas.

Thermoelectric generating

Brazil's National System Operator (ONS) dispatched a large quantity of power from thermoelectric power plants in 2010. The volume of gas distributed by Comgás rose by more than 15 times in the case of the Fernando Gasparian plant, which has its own specific gas-supply contract. Comgás also has gas supply contracts for other segments of the market, without restrictions.

ECONOMIC-FINANCIAL PERFORMANCE

Comgás volume sales of gas in 2010 were up 15.2% from 4.2 to 4.9 billion cm. Growth was driven by recovery in the industrial segment and the incorporation of 108,600 new residential customers to the customer base.

The results in our financial statements were impacted by new accounting rules due to Brazil's convergence with International Financial Reporting Standards (IFRS). In this context, our regulatory current account with the State of São Paulo Water and Energy regulatory agency (ARSESP) is no longer shown on our balance sheet. This account showed the difference between cost of gas paid to suppliers - which varies each month - and cost of gas in tariffs charged customers.

Before migrating to IFRS, the balance in this regulatory current account was expressed in assets or liabilities. Excluding this data from financial statements means that our earnings will show more fluctuations since events affecting the purchase price of natural gas will be reflected in

the short term. For comparative purposes, the equalized data below show the values that would have been included in the former regulatory current account.

Another change resulting from the adoption of IFRS relates to a technical interpretation issued by Brazil's Accounting Pronouncements Committee (CPC 01), under which concession holders may operate utility infrastructure without owning the assets, since the latter revert to the licensing authority at the end of the concession period.

Due to this rule, Comgás no longer shows balances of fixed assets and will now be reporting these rights in the intangible assets account. In addition, for disclosure purposes, the income statement will now also recognize revenue from construction and costs associated with expanding the gas pipeline distribution network.

Equalized result of the effect of regulatory current account (in R$ million)

	2008	2009	2010
Change in regulatory current account	578	(493)	(260)
Gross profit	1,388	1,147	1,266
Ebitda	1,057	838	934

The year's gross profit of R$ 1.5 billion was down 9% on 2009, when it reached R$ 1.7 billion. On taking into account the effects of the regulatory current account, income would be R$ 1.3 billion, or 10.87% higher than the previous period's R$ 1.2 billion.

On May 31, Comgás tariffs were subjected to ordinary adjustments determined by ARSESP. In the residential segment, the variation was 0.5% above and below; in the industrial segment, there was an average reduction of 0.3%; automotive market tariffs fell by an average of 0.5%; and in the commercial segment, the average increase was 0.6%. In December, there was a new adjustment due to an extraordinary event, which had no significant impact on the fiscal year's gross income due to its short duration in relation to the year's accounts.

Although prices of gas purchased in Bolivia and Brazil rose during the first five months of the year, Comgás was able to reduce acquisition cost by bidding for gas at auctions held by Petrobras.

COMGÁS VOLUME SALES OF GAS IN 2010 WERE UP 15.2% FROM 4.2 TO 4.9 BILLION CM. GROWTH WAS DRIVEN BY RECOVERY IN THE INDUSTRIAL SEGMENT AND THE INCORPORATION OF 108,600 NEW RESIDENTIAL CUSTOMERS TO THE CUSTOMER BASE.

Ebitda

Profit before interest, taxes, depreciation and amortization was R$ 1.2 billion, a fall of 12.87% on the previous period. If the effects of the regulatory current account are included, the 2010 result would have been 11.44% up than the previous year's, with a total of R$ 934 million against R$ 838 million.

Net income

Net income was 15.99% down from the previous year R$ 580 million in 2010.

Breakdown of value added

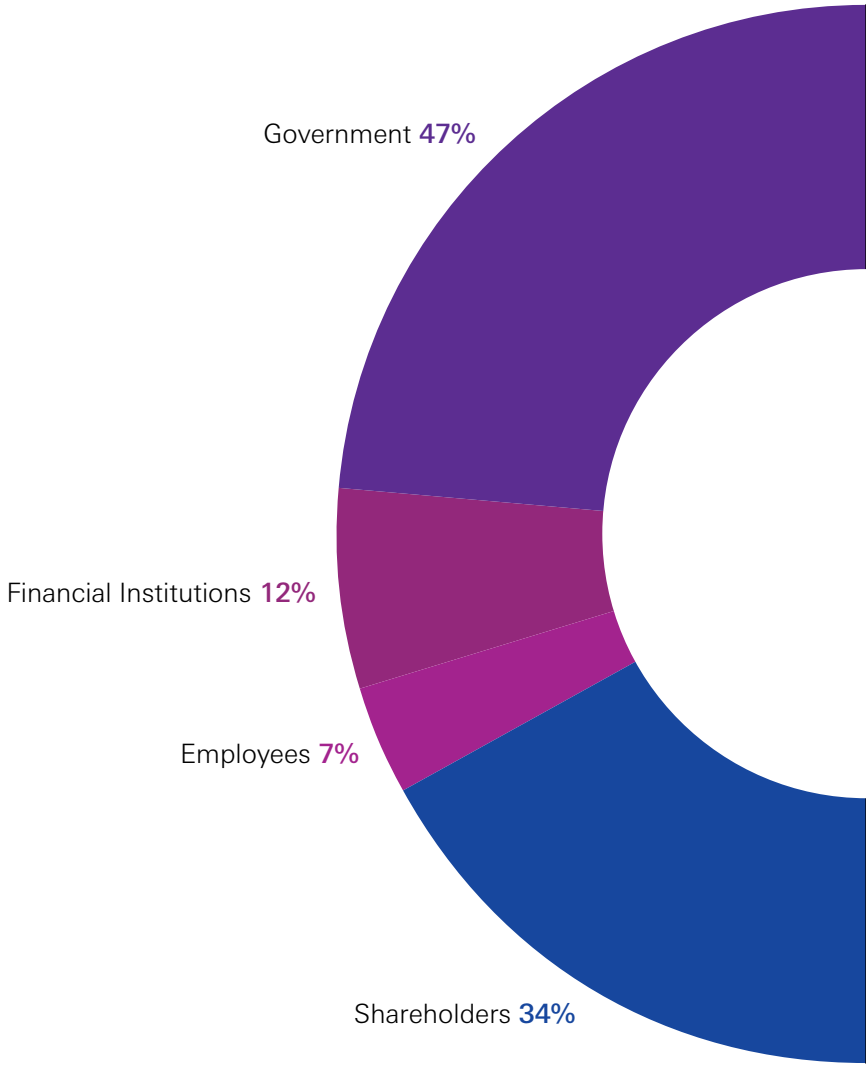
As an indicator of wealth added to society, our Value Added totaled R$ 1.68 billion in 2010 and is shown as the difference between revenues obtained and cost of gas plus outsourced services, plus depreciation and amortization

Investment

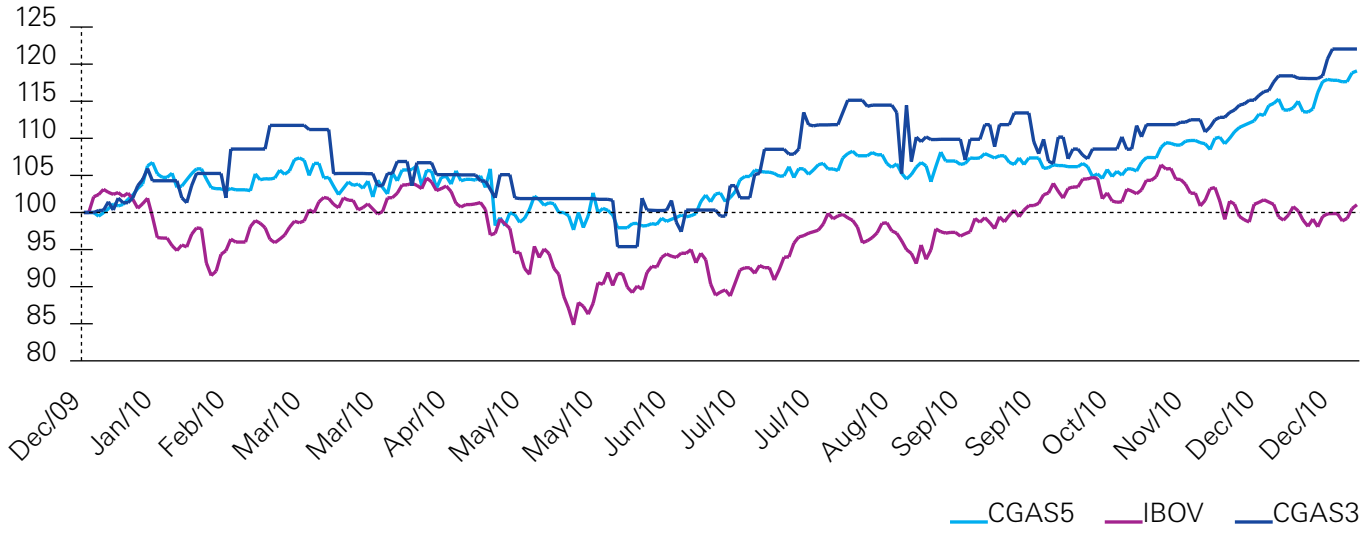
Comgás continued its funding strategy based on long-term debt. The year's highlights included loans totaling 200 million Euros from the European Investment Bank (EIB), of which the equivalent of 100 million Euros has been disbursed. These funds will be used for expanding, modernizing, and reinforcing the piped gas distribution network, and for other measures to support operations. This debt is for repayment in ten years with a four-year grace period.

The new funds are added to loans already made by Brazil's economic development bank (BNDES), with disbursements of approximately R $ 183 million in the period, which are charged the official long-term interest rate (TJLP). Average debt tenor remained at three years, and its average cost was less than 100% of the Interbank Deposit Certificate (CDI).

DVA



	2008	2009	2010
Employees	96,255	101,639	114,578
Government	366,016	879,654	787,338
Financial Institutions	171,257	218,060	194,480
Shareholders	129,981	690,393	579,979
Total	763,509	1,889,746	1,676,375



CAPITAL MARKET

Comgás went public in 1996 and its shares have been listed on the São Paulo Stock Exchange (now BM&F Bovespa) since 1997. Its capital consists of 119,822,797 shares, of which 93,910,898 are common shares (ON) and 25,911,899 class A preferred (PNA). Of this total, 78% belong to the controlling shareholder.

Investor access to common and preferred shares (free float) accounts for 22% of Comgás total share capital.

In 2010, the Bovespa index showed a slight gain of 1.04%. Despite the weak performance of the index, Comgás preferred shares (CGAS5) posted a 19.1% gain to close the year at R $ 40.49, and average daily trading volume was R$ 1.2 million. Our common stock (CGAS3) ended the year with a 22.0% gain at R$ 37.0

Comgás paid out R$ 365 million in dividends for the year ended 2009. In addition, R$ 62.3 million was paid in interest on shareholders' equity for the year 2010, totaling R$ 427.3 million total shareholder remuneration. Comgás shares posted a dividend yield [1] of 9.4% in the period, while payout [2] was 74%.

Foreign investor take up of Comgás stock remained high at 30% of shares and was unchanged on 2009.

(1)Dividend Yield: measure of return in the form of company dividends in relation to its share price, this providing a comparison across companies.

(2) Pay-out: distribution of company profits to shareholders in the form of dividends or interest on shareholder equity.

RISK MANAGEMENT

TO MITIGATE THE THREAT OF DISRUPTIONS AFFECTING ITS DISTRIBUTION SYSTEMS, COMGÁS PAYS SPECIAL ATTENTION TO THE SECURITY AND INTEGRITY OF ITS ASSETS BY ADOPTING GOOD ENGINEERING PRACTICES AND USING MANAGEMENT TOOLS, WHICH ARE DISSEMINATED TO ALL EMPLOYEES AND SERVICE PROVIDERS.

To identify and monitor strategic and operational risks, Comgás has a standing committee comprising representatives of all sections of senior management, which meets monthly to review issues and develop action plans. Since 2006, Comgás has also had an online risk management system to facilitate interaction with managers. In addition, on a daily basis, a series of measures are being taken to prevent operations being exposed to adverse events.

Market risk – Much of the volume of natural gas distributed by Comgás is concentrated in the industrial market. However, the customer portfolio includes companies from different segments of the economy, thus reducing exposure to any fall in demand from a particular sector. Significant growth of the consumer base, especially the residential segment, and the development of attractive solutions - such as cogeneration and HVAC - further dilute this possibility.

Comgás also runs campaigns to encourage use of natural gas and disseminates information about its potential, convenience, safety and efficiency, as well as the environmental benefits, in order to strengthen the product's image for consumers.

Operational risk – To mitigate the threat of disruptions affecting its distribution systems, Comgás pays special attention to the security and integrity of its assets by adopting good engineering practices and using management tools, which are disseminated to all employees and service providers. In this respect, one of the features is the Asset Integrity Management System, which sets guidelines, strategies and targets for efficiency and safety in the supply of natural gas to customers. The system manages risk, data, change, knowledge, training and capacity building, prevention of injury, incident response, operational continuity and continuous improvement.

Also in place since 2003, the Comgás Damage Prevention Plan is based on communication and training other utility concession holders, janitors and communities living near gas pipelines. Awareness of excavation procedures in areas near pipelines ensures safety for people and the environment as well as the supply of gas to customers. The plan includes pipeline maps provided to other companies and other utilities. More than 10,000 accesses were recorded in 2010. There were also training courses that benefited 3,200 people in 2010, workplace-based motivational campaigns, training for janitors/caretakers in gated communities or condominium buildings, and cultural activities.

Comgás has adopted other measures such as an emergency room centralizing customer details, data on natural gas consumption, and maps of pipeline networks; Revision and Update of Technical Rules and Standards; Outsourcer Monitoring Program; the Reportability Project for evaluating HSEQ- and asset-integrity related incidents; the Steel Pipe Corrosion Management System; Recovery of Damages or Compensation for Damage (mapping and measuring major occurrences).

In 2010, Comgás was audited by BG Group in relation to the Safety Case document designed to ensure that all risks are known and mapped, and pipeline operations made safe, as a mandatory requirement in relation to shareholders. The purpose is to inform shareholders of operational risk management involved in company business.

Supply risk – In addition to maintaining the Demand Planning business unit and constantly reviewing its supply strategies, Comgás works to strengthen its suppliers and develop new partners in the local market. The aim is to boost competitiveness and reduce its dependence - that of its and customers - on a small number of suppliers. Comgás also has procedures in place for outsourcer approval and technical qualification, including training of skilled labor to support growth plans.

In relation to the supply of natural gas, Brazil's recent discoveries will further minimize the possibility of shortages. To reduce the price of natural gas, Comgás bids at auctions held by Petrobras, which led to consumers being charged lower tariffs.

Environmental risk – Comgás has a full Safety, Health and Environmental Policy and complies with current legislation. Initiatives aimed at customers and suppliers will minimize the risk of accidents that may affect the environment.

As for climate/disaster risk, we maintain a business risk matrix and on this basis take out insurance policies with first-line companies. In addition, a Disaster Prevention

Plan is in place that includes ensuring that key data and systems can be restored within four hours of any occurrence. Comgás also simulates drills to ensure its crisis management capability.

Control, fraud and reputation risk – In 2010, Comgás was again certified under ISO 14001. Initiatives such as the Comgás Damage Prevention Plan and Outsourcer Monitoring help to disseminate good practices and reduce exposure to risks that could adversely affect our image. The Fraud Officer is responsible for managing fraud risks by detecting factors making for exposure and analyzing occurrences or suspects regarding any acts with the intention of obtaining unfair or illegal benefits or gains from Comgás or its outsourcers, ranging from diversion of funds to misappropriation of material or intellectual assets. Complaints or reports may be made by telephone (0800 702 40 80) or e-mail (canalaberto@comgas.com.br), our "Open Channel", which guarantees anonymity for callers.

Regulatory Risk – Our Institutional Affairs staff is actively working with governments, regulatory agencies, industry associations and entities in order to refine or formulate sectorwide policies. The regulatory situation in Brazil has matured in recent years and governments have upheld concession agreements, therefore Comgás does not believe there will be alterations that could adversely affect its plans in the coming periods.

Financial risk – Our Financial Risk Management policy supports Comgás in terms of measures related to liquidity, interest rates, credit and currency risk, to the extent that: it validates alternative borrowing arrangements to make the most of the best opportunities and ensure a suitable mix of funding sources; it avoids due-dates being concentrated in the same period by setting limits of 30% of long-term debt eligible for refinancing for the next 12 months, 50% of total debt eligible for refinancing in three years, and 80% of total debt eligible for refinancing in five years; it has appropriate infrastructure for monitoring and fulfilling obligations under contractual instruments, particularly certain financial covenants; it constantly aims for non-fixed interest rates charged in Brazilian Reais; it hedges cash and earnings through swaps, forwards and options, and by hedging at least 75% of amounts contracted in excess of US$ 500,000. To minimize credit risk, it undertakes quarterly evaluations and annual approval reviews of the counterparties with which it negotiates cash management, floating, currency exchange, investments, banking collection and derivative transactions, and pre-emptively attributes maximum exposure limit for each financial institution.

IN 2010, COMGÁS WAS AGAIN CERTIFIED UNDER ISO 14001. INITIATIVES SUCH AS THE COMGÁS DAMAGE PREVENTION PLAN AND OUTSOURCER MONITORING HELP TO DISSEMINATE GOOD PRACTICES AND REDUCE EXPOSURE TO RISKS THAT COULD ADVERSELY AFFECT OUR IMAGE.

INTANGIBLE ASSETS

Comgás maintains and develops assets that add value to its business, but whose earnings cannot be measured - such as the preservation and dissemination of knowledge, or its certifications.

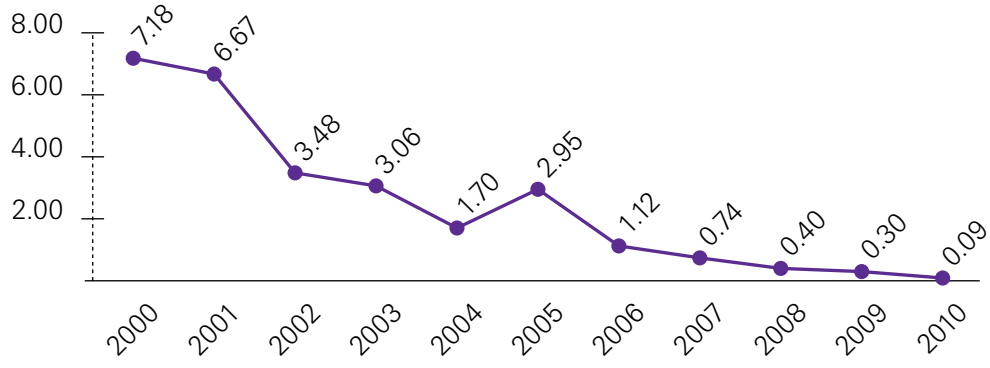
Safety

To ensure the safety of all its employees, Comgás runs awareness campaigns and provides material resources and skilling necessary to reach its "zero injury - high performance" target, which is also translated by the slogan "do it safely or not at all". Our Health, Safety, Environment and Quality (HSEQ) unit takes initiatives to ensure proper management of risks and impacts caused by our operations.

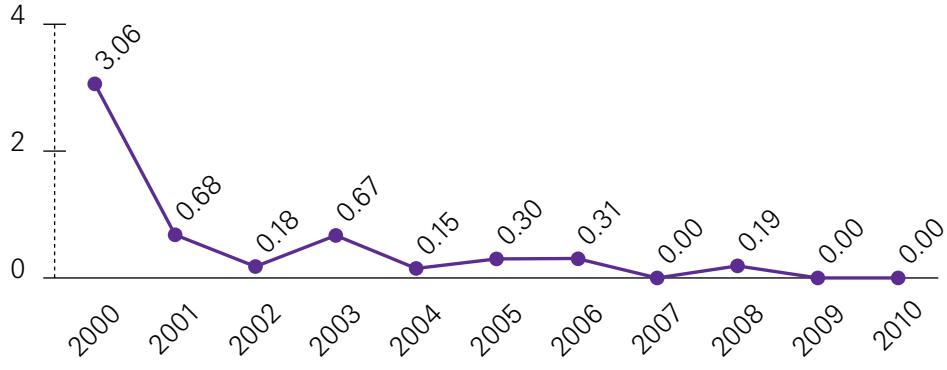
One such instrument is Behavior-Based Safety (BBS), which aims to reinforce safe practices with a focus on enduring attitude change by observing unsafe behavior. In 2010, there was an average of 2,000 observations monthly.

In 2009, BG revised the HSEQ management procedure for outsourcers to align concepts and

TRCF
Comgás + Outsourcers
TRCF – Total Recordable Cases Frequency



LTIF
Comgás + Outsourcers
LTIF – Lost Time Injury Frequency



requirements with standards and guidelines. Based on this work, the group's companies undertake self-diagnostics and adjust the original guidelines to their real situations, to ensure proactive management. Identifying the need for more uniform outsourcer management led to the current training courses for contract managers. Comgás hosted events from companies from the Americas region to train facilitators for these concepts, and 85 of our contract managers were trained in this respect to deal with the components of the contract management cycle.

Knowledge management

Comgás strives to have the right people in the right place. This idea is continually reinforced through training programs and refresher courses, many of them also covering outsourcer employees. Increasingly, Comgás is spreading the idea of accountability, especially among leaders. This means clearly stating attributions for achieving the objectives set and delivering results as expected. Mapping the skills required to perform these functions also facilitates enhancement and dissemination of knowledge, which helps ensure business continuity in different scenarios. In addition, maintaining a proper workplace environment, concern for well-being, respect for diversity and recognition of efforts are factors that encourage the continuing growth of Comgás professionals and outsourcers.

Innovation

Employees are constantly encouraged to seek opportunities to improve operations and business. Two internal awards are made in this respect. In addition, as part of everyday routine, employees submit ideas to attend to customer demands and / or cut costs. An example of this in 2010 was the approval of the HDPP molding (polystyrene and polyurethane high density), fixed with water-based glue, as a work-around when customers reject gas-fired water heaters because of visible piping. Also developed, in partnership with suppliers, was a case for gas fitters to carry their protection equipment and tools, which resulted in better ergonomic conditions, time savings, and lower costs.

Another highlight in the ambit of innovation was the R&D program for Conservation and Rational Use of Natural Gas, which was allocated R $ 3.8 million for the 2009/2010 cycle. The sum was spent on initiatives in the fields of energy efficiency, standardization, job training, dissemination and awareness, socio environmental interest, and research and

R&D Investments (per cycle)

Período	R$ million
2004/2005	1.8
2005/2006	2.2
2006/2007	2.8
2007/2008	3.0
2008/2009	3.8
2009/2010	3.8
2010/2011	4.0

See all Comgás R&D projects at: www.comgas.com.br/hotsites/pesquisaedesenvolvimento

ANOTHER HIGHLIGHT IN THE AMBIT OF INNOVATION WAS THE R&D PROGRAM FOR CONSERVATION AND RATIONAL USE OF NATURAL GAS, WHICH WAS ALLOCATED R$ 3.8 MILLION FOR THE 2009/2010 CYCLE.

development. The focus is innovation and competitiveness through scientific knowledge and the program is run in partnership with research centers and universities such as Universidade de São Paulo (USP), Universidade Estadual de Campinas (Unicamp), Universidade Estadual Paulista (Unesp), Instituto Tecnológico da Aeronáutica (ITA), Universidade Federal de São Carlos (Ufscar), and Instituto de Pesquisas Tecnológicas do Estado de São Paulo (IPT).

Since it was introduced in 2004, the R & D unit has run 74 projects, 30 of which were underway in 2010.

Awards and Recognition

In 2010, Comgás was the overall winner of the second edition of "Top Gas", the Petrobras award recognizing natural gas distributors. Three studies were winners in the categories Safety, Operational Excellence and Market Development. In the Social Responsibility category, Comgás received honorable mention. In addition, two professionals were honored for their collaboration in the Top Gas Forum, which discusses natural-gas distribution related issues.

Comgás was also recognized for the following awards in 2010:

MasterInstal – Four awards were made: two in the "Installation projects" category and two for "Installation methods and processes". The event showcases initiatives highlighting the installations sector for its innovative approach and best practices, and is organized by the Industrial Installations syndicate (Sindinstalação) and the Brazilian Installation Compliance and Efficiency Association (Abrinstal).

Ceramic World – The ninth edition of the award organized by the magazine Mundo Cerâmico [Ceramic World], recognized Comgás as Supplier of the Year 2010 in the "Energy" category.

Innovation Awards – The award sponsored by the BG Group was made to Comgás in the Technology Application category for a study of "Mitigation of gas deviations in the automotive segment".

Modern Consumer – For the fifth consecutive year Comgás was voted the piped-gas company that most respected consumers in Brazil. The award is organized by Consumidor Moderno [Modern Consumer] magazine.

Safety Achievement Award – This award was presented by the American Gas Association (AGA) after Comgás obtained the lowest number of recordable incidents involving days away and restricted time (DART).

4

relationships

IN 2010, THE GREAT CHALLENGE FOR THE HUMAN RESOURCES DEPARTMENT WAS TO SUPPORT COMGÁS' REGIONALIZATION PROCESS BY SPREADING ITS CULTURE AND TRAINING EMPLOYEES FOR ZERO INJURY - HIGH PERFORMANCE.

One initiative on these lines was the Growth Academy's corporate education program for Sales and Expansion managers and superintendents. The first to benefit were 60 managers who participated in training sessions taught by Comgás professionals specializing in these subjects, where they focused requirements mapped for macroprocesses in Constructions and Connections, Network Operations and Maintenance, and Customer Relations. In 2011, in the ambit of the Academy, classroom presence modules will be provided for technicians and virtual modules for outsourcers.

Another tool for professional alignment, known as the "collaboractive" portal, is hosted on our new intranet system, which incorporated SAP tools and is now integrated into the SAP system. New developments include the Comgás Relationship Network, in which each employee and trainee can create their own professional profile; the News Center; a search engine for files and intranet pages; the "Thank-you Card" tool; virtual communities in which employees may exchange ideas and information; the Portal Manager; and a page for Health, Safety, Environment, Quality and Asset Integrity, with alerts, lessons learned, risk management, indicators and other information about the "zero injury - high performance" proposal.

The HR Portal has also been expanded and equipped with new functionalities. Payroll is now managed via the Portal too.

These initiatives show Comgás' respect for its professionals and build on other forms of recognition, such as the Comgás Innovation and Comgás Excellence awards, which highlight people or teams authoring studies related to security, environment and integration with the community. In 2010, nine initiatives were highlighted and honorable mentions awarded to another three. Awards also led to selection of candidates for BG's Chairman's and Innovation Awards, organized by the parent company. In 2010, a Comgás employee was the winner of the Innovation Awards.

To gauge professional satisfaction in relation to its form of management, Comgás conducted another organizational climate survey in 2010. Participation reached 92% of staff and the results showed 65% satisfaction.

Employee profiles

At the end of the period, Comgás had 5,277 employees, 19% in-house and 81% outsourced. The total is 15% higher than last year because due to new hires for the process of expansion, especially in the residential segment. All of them are working in the Comgás concession area. There were 90 trainees, of whom 71 joined through the trainee program in 2010.

Some 85% of our professionals are covered by collective bargaining agreements signed with two unions: the Piped Gas Production, Transportation, Installation and Distribution Union of the State of São Paulo, and the State of São Paulo Engineers Union. Comgás places no restrictions on employees joining these organizations. There were no work stoppages in 2010.

In addition to offering opportunities for professional development and career advancement, Comgás encourages respect for diversity - which led to its winning the 2010, the São Paulo Diversity Seal, Full Category, awarded by the government of the State of São Paulo.

Staff	2008	2009	2010
Full time			
Indefinite or long-term	952	948	979
Temporary	107	84	90
Outsourcers			
Indefinite or long-term	3,123	3,543	4,170
Temporary	55	13	38
Total	**4,237**	**4,588**	**5,277**

Turnover	2008	2009	2010
Variation			
Number admitted	156	88	100
Number dismissed	59	92	69
Turnover rate	6.52%	9.68%	7.05%
Turnover by gender			
Men	3.2%	5.5%	4.7%
Women	3.3%	4.2%	2.4%
Turnover by age group			
Under 30	1.9%	2.7%	3.1%
30 – 50	4.2%	6.1%	3.4%
Over 50	0.4%	0.8%	0.6%

Collective bargaining agreements	2008	2009	2010
Total number of employees	952	948	979
Employees covered by collective bargaining	863	864	834
% of all staff	90%	91%	85%

	2008	2009	2010
Job category			
Executives	89	84	87
Coordination	58	53	58
Professionals and engineers	314	294	318
Administrative	99	90	100
Operational	320	349	337
Sales	72	78	79
Gender			
Men	67.5%	69.2%	68.3%
Women	32.5%	30.8%	31.7%
Color/ethnic origin			
White	89%	89%	89%
Black	10%	10%	10%
Asian	1%	1%	1%
Indigenous	0%	0%	0%
Age group			
Under 30	35%	27%	30%
30 - 50	57%	62%	59%
Over 50	8%	11%	11%

Training and development

Comgás applies performance evaluations for direct employees, in order to identify opportunities and gaps in relation to competencies required by its business and values, which provide the basis for Individual Development plans. In 2010, 98% of outsourcers were formally evaluated. All staff filled out a 12-month performance contract - a process that in 2010, for the first time, was conducted in the ambit of the HR Portal - and based on business area targets and the company scorecard, individual targets are mutually agreed with managers. These goals must address the challenges of innovation, process improvement, while fostering professional and personal development at the same time. They are set based on the model known as SMART (specific, measurable, variable, attainable and time-limited) to facilitate the task of reaching targets and analyzing their quality.

At the end of the period, professionals fill out self-assessments of competence and gauge their achievements with their managers. On our HR Portal, the manager reports individual results and scores on the Competency Assessment - a parameter also used for our profit sharing program (for more details, see p. 47). In 2010, the procedure introduced the option of employees and managers commenting on results qualitatively.

Another stage in the process of the 360 mapping round is to identify the development needs of managers in relation to Comgás values. This covers self-assessment, and evaluation and assessment of the manager and three subordinates, and of three suppliers or internal clients. The study is conducted via Internet by an outside consultant firm, which ensures confidentiality and preservation of the identity of the evaluators.

Comgás also holds meetings with management to analyze the potential of all employees and sketch possible career paths. They take into account a professional's performance and ability to assume new responsibilities or move to other areas and functions.

Specific training sessions address the issue of Human Rights. In 2010, training courses covered subjects such as the Code of Conduct and Integration of New Employees, which involved 18.4% of the staff (180 people, including those working in security) for 610 hours of activities.

Comgás offers its employees financial support for education and training away from their units. In 2010, we launched the second edition of the Masters in Business Administration (MBA) program offered by Fundação Instituto de Administração (FIA). The course was renamed Project Management and Innovation and benefited 35 employees.

Scholarship grants for vocational high school and graduation courses, for which Comgás pays 50% of tuition, favored 33 employees in the period, as per the collective bargaining agreement signed with the gas workers union (Sindgasista).

There are subsidies for courses and materials under the Languages Program, which assisted 45 professionals in 2010. Grants are for three consecutive years, and employees may choose the institution where they will continue their education.

By using our intranet, employees may also access e-learning tools. A highlight of the year was the launch of the online course "Code of Conduct - the practice of Comgás principles", which was taken by all outsourcers and trainees. Also available are modules on environmental awareness, ergonomics, new spelling rules, financial mathematics and computer programs.

These and other initiatives, like encouragement of participation, are constant themes in the various channels of communication maintained by Comgás to strengthen relations with its workforce. In addition to the collaborative portal, these channels include newsletters and bulletins Telegás Semanal and Telegás Especial, the Comgás Total magazine, the Jornal Mural and a motivational program called "Vale + Ser Comgás". Another channel for contact between staff and senior management is the president's blog, which poses the main Comgás initiatives and calls on employees to join them.

Remuneration and benefits

Comgás is constantly monitoring the market to ensure pay is in line with average salaries. In 2010, the lowest Comgás wage was 2.32 times the national minimum wage.

Comgás also offers a profit sharing program with amounts decided in accordance with the performance of individuals and Comgás as a whole. Last year, the amount distributed through the initiative totaled R$ 18.6 million.

Average training hours – 2010

Functional category	Total hours	Hours/ employee
Technical level	14,030	78
Operational level	14,031	89
Managers and supervisors	11,748	85
Administrative	3,026	30
Professionals	3,043	8
Senior management	112	16

Company benefits surpass legal requirements and cover sickness/accident assistance, medical and dental care, assistance for children with special needs, day care assistance, assistance for purchase of orthopedic equipment and eyeglasses, pharmacy assistance, vacations loans, career guidance for employees' children and life insurance - with incapacity and disability coverage.

Ratio of lowest Comgás wage to national minimum wage

Year	2008	2009	2010
City of São Paulo	2.06	1.96	2.32
Campinas	3.46	2.82	5.28
São Paulo Metropolitan Region	6.34	6.15	5.79
Vale do Paraíba	3.46	2.82	2.89
Baixada Santista	3.46	2.82	3.94

	2008		2009		2010	
Basic wage (R$)	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Job category						
Executives	1.29	1.00	0.93	1.00	1.12	1.00
Coordinators	0.99	1.00	1.01	1.00	1.08	1.00
Technicians	0.78	1.00	1.17	1.00	1.01	1.00
Operational	1.20	1.00	0.99	1.00	1.01	1.00
Professionals / Engineers	1.08	1.00	0.95	1.00	0.98	1.00
Sales	1.09	1.00	0.95	1.00	1.01	1.00

It also includes a retirement plan and a private pension fund based on the defined contribution model. In 2010, it covered 92% of professionals in the company, which may allocate up to 4% of gross salary to the fund. Comgás matches employees' deposits with twice the amount. Additional contributions are allowed sporadically - without Comgás matching them- through the use of all or part of amounts received under the profit sharing program. At the end of 2010, the pension fund's net worth was R$ 60 million.

In addition, the company's new post-retirement program favored employees in the pre-retirement period. Professionals aged over 50 who wish to plan their post-career period are given expert consultant advice on topics such as quality of life and lifestyle; finance, physical, mental, emotional and social health; and family life. Some 45 employees participated in the initiative, which held nine meetings.

SUPPLIER MANAGEMENT

Our supplier development and qualification processes were consolidated in 2010. The system for monitoring the performance of these partners on key activities classed as key or critical for Comgás business was expanded and seen by them as a development tool. The monitored-company base increased from 22 to 34.

The supplier monitoring system was also recognized by BG Group during Chairman's Awards 2010 in the Safety category and the Petrobras Top Gas 2010 award for Operational Excellence.

In relation to new hires, the year was marked by practical application of the concepts of regionalization and long-term partnerships established as key drivers to ensure Comgás sustainability and growth. Several expansion projects have had their contracting arrangements based on this regionalized strategy (over 15) for periods of three to five years. Comgás thus continues to pursue development of local markets with long-term relationships and encouraging the hiring of workers from the regions.

In 2010, 100% of the budget for procuring the most important goods and services was allocated to suppliers based in Brazil.

One of the instruments used for this purpose was the HSEQ Central Committee, which held 12 meetings in 2010. These events are led by our CEO and bring together contractors and subcontractors to discuss and share best practices, while setting targets and action plans relating to these themes. The idea is to build awareness and motivate suppliers to incorporate them in their management strategy.

The year saw the resumption of the Contractor Monitoring Program coordinated by the Supplies unit. It consists of a monthly assessment of suppliers in relation to aspects stipulated jointly by the different Comgás business areas. The survey identifies best practices, introduces improvements and poses corrective measures, among other benefits. The contractor's overall score is used as a reference for decision making - which includes contractual termination - and the introduction of parameters in tender competitions, which prioritize aspects other than pricing alone. Under the proposal, we reactivated Comgás Partner Day - when the best suppliers are recognized with awards.

Similarly, the Technical Audits program was implemented. A group of 80 Comgás professionals were given special training - including standards for management systems rated by ISO 9001, ISO 14000 and OHSAS 18000, analysis of non-conformities and action plans and case studies - to monitor the activities of contractors and ascertain their degree of engagement with HSEQ policy. Inspections of key suppliers totaled 30 in 2010.

The Technical Audits program includes the Contractor Excellence program, under which principals and superintendents from several areas of Comgás who are technical audit team members help Comgás build closer relations with contractors. In addition to auditing, professionals discuss opportunities for improving Comgás and outsourcer processes involving the contract manager and the contractor's management.

Selection and recognition

When selecting partners, Comgás evaluates their organizational ability to meet the desired standards and provides any tools they may need to develop skills and adopt the necessary procedures. Subsequently there are field visits to monitor activities and check the technical ability and capacity of candidates. If necessary, we draw up plans to ensure adequacy. In 2010, two workshops were held to help potential suppliers qualify: one on pipeline network maintenance and the other on categories related to retailing. To improve the process, all forms used for selection were reviewed in conjunction with management of the business areas. Active suppliers are periodically evaluated in relation to financial health and tax and labor compliance.

THE YEAR SAW THE RESUMPTION OF THE CONTRACTOR MONITORING PROGRAM COORDINATED BY THE SUPPLIES UNIT. IT CONSISTS OF A MONTHLY ASSESSMENT OF SUPPLIERS IN RELATION TO ASPECTS STIPULATED JOINTLY BY THE DIFFERENT COMGÁS BUSINESS AREAS.

The standard Comgás contract contains a clause that commits contractors to run its business in accordance with the highest ethical levels and obey applicable laws and Comgás rules to combat fraud and corruption, in particular the Declaration of Principles and Code of Conduct. The Declaration of Principles expresses full support for the Universal Declaration of Human Rights of the United Nations (UN), as followed in its business operations. The Code of Conduct states that it does not condone suppliers using forced labor or child labor and that partners must respect agreements and recommendations of national and international conventions condemning child labor or forced labor of any kind.

Also to enhance the efforts of its suppliers, Comgás participates in the Installer Company Certification Program (Qualinstal), whose aim is to ensure quality and safety for gas installation services. Once audited, partner companies receive a seal of Installation Conformity. Through certification, Comgás ensures that the final product delivered to consumers meets Brazilian standards for installation and is in perfect condition.

CUSTOMER MANAGEMENT

Comgás has various channels of customer service to ensure an agile response to demands and turn contacts into opportunities for outreach and identification of improvements.

In 2010, to deal with the challenge of migrating its CRM and billing systems to the SAP platform, Comgás expanded its customer service teams, both call center and ombudsman. The system changeover, however, was reflected in satisfaction surveys conducted annually by ARSESP: although 85% of natural gas customers approved of customer services, the index was one percentage point down on 2009 – although still one of the best among utilities.

Call Center

As the main channel for customer service - telephone 08000 110 197 - the call center is operated by Algar Tecnologia, which in 2010 provided 4,562 hours of training for teams in rooms installed specially for this purpose at Comgás, equipped with audiovisual resources. On an experiment bases, social networks were monitored in order to identify possible questions and complaints from customers. Search engines allowed us to solve their problems proactively. The work will be enhanced in 2011 with the hiring of a specialized company to do the monitoring.

Another of the year's initiatives was the introduction of "solution cells" to minimize negative impacts in customer relationships. To revert any dissatisfaction, the cell team examines the entire history of a consumer's contacts and prioritizes those whose needs are most urgent.

On similar lines, our customer hotline program continued to enable employee access to telephone lines to follow up on customer contacts in real time. The purpose is to encourage them to think about the real situations faced by users and develop solutions to improve relationships.

To help improve the use of correct grammar in customer service and reinforce reading habits, Comgás provides a library with books, magazines and comics for attendants.

Personal customer service (presence)

Comgás also has customer service centers in the State capital (at the Metropolitan Region Operational Centre in the Bras district, and on Avenida Paulista), and in Campinas (in Shopping D. Pedro, where there is a showroom demonstrating how natural gas may be used in homes) and in Santos, at the regional office.

Ombudsman

Issues that could not be resolved by the call center are passed on to the ombudsman's office, which also receives suggestions in relation to services, jobs done for customers, and work done by Comgás in general. To contact the ombudsman, customers may call our toll-free number 08 000 16 16 67 or e-mail ouvidoria@comgas.com.br.

IN ADDITION TO SUPPORTING INITIATIVES, COMGÁS INCORPORATES SOCIAL RESPONSIBILITY INTO ITS BUSINESS ACTIVITIES, INCLUDING THE ASSESSMENT OF POTENTIAL IMPACTS WHEN IT STARTS OPERATING IN A NEW REGION.

Internet

Through the Comgás portal on the Internet, visitors may request installation of natural gas and access various services such as obtaining a second copy of a bill. There is also information on the uses and advantages of natural gas; tips on cost-cutting and safety; information on training provided for specific segments of the public, such as janitors; lists of companies registered to install and repair internal gas fittings and install NGV kits in vehicles; and advice for cases of repairs and building work. In addition, there are links to all channels provided for customers wishing to contact Comgás, including our "Open Channel", which guarantees anonymity for those reporting cases of possible fraud, misconduct, or anything contrary to company values.

COMMUNITY

The Comgás approach to business focuses on sustainability. Therefore it takes part in discussions involving policies related to the development of the natural gas market and is concerned to show social and environmental responsibility in its work at all times.

On the social side, it encourages artistic and cultural development in towns and cities where it operates. In 2010, Comgás spent R$ 849,000 of its own funds and R$ 5.4 million in tax rebate under cultural incentives legislation to help develop projects in 19 cities in its operating area.

In addition to supporting initiatives, Comgás incorporates social responsibility into its business activities, including the assessment of potential impacts when it starts operating in a new region. Through partnerships and contacts with community leaders and representative bodies, Comgás aims to identify local needs and take measures accordingly. Programs of this kind are periodically monitored and assessed with the aim of enhancing them.

Comgás maps areas to identify communities or groups living on sites located over our pipeline networks, or subject to other safety risks. In 2010, we detected a family living in this situation in Campinas, and the municipal government arranged for their removal to their home town of São Jose do Rio Pardo, with the consent of those involved.

As part of our Damage Prevention program, measures were taken to inform communities of the presence of pipelines near their homes. We distributed printed materials such as a comic book with easily understandable information on natural gas and its applications, in addition to precautions that must be taken to avoid incidents. There were also cultural activities such as dramatics and traveling movie-theater sessions covering safety issues as part of an initiative promoted by the Bezerra de Menezes residents association in Jardim Helena, São Paulo.

In 2010, Comgás continued to work with its key initiatives for social development:

Comgás Apprentice Program celebrated its 10th anniversary, having trained over 3,100 young people and 222 teachers at 101 schools, which led to 711 projects developed by students. Developed in partnership with the NGO Cidade Escola Aprendiz (Learner City), the program transmits the knowledge needed to set up and run social projects and partnerships benefiting their communities.

The initiative operates on two fronts: one involves directly training young people in the municipality of São Paulo, where 37 took the course in 2010 and consolidated seven projects; the other is dissemination, which means training public school system teachers in the State of São Paulo to develop pupil autonomy through learning tools. During the year, 60 teachers from 15 schools joined the program, which led to 161 pupils attending too.

To encourage more interaction with young people Comgás moved the offices of its apprentice program to the headquarters of the NGO Cidade Escola Aprendiz [Learner City] in the Vila Madalena neighborhood of São Paulo.

Comgás Sociocultural Sponsorship Fund – In its third edition in 2010, the Fund spent R$ 1.5 million to help 10 cultural projects selected from 278 applications - a 33% increase on the number of entries in 2009. These projects were eligible under federal legislation (known as the Rouanet Law) granting tax incentives for spending on cultural activities and were developed in 14 municipalities in the concession area of Comgás in the State of São Paulo. Comgás provides full details of the Fund and its initiatives on the Internet at www.fundocomgas.com.br

History of Gas – Our São Paulo Metropolitan Region Operational Centre (CORMSP) of Comgás was listed by the Municipal Council for Preservation of Historical, Cultural and Environmental Heritage of the City of São Paulo (Conpresp) and by the Council of Defense of Historical, Archaeological, Artistic and Touristic Heritage (Condephaat). The center hosts a permanent exhibition called “Memory of Gas: the future always present”.

GOVERNMENT AND SOCIETY

Over 4,700 visitors (in 2010) saw collections of gas meters and compressors, a time capsule (buried by former employees) and panels of photographs and documents showing the history of Comgás.

The exhibition is the result of a partnership with the São Paulo Energy and Sanitation Foundation. In 2010, 40 instructors from local technical schools were trained to teach the subject of Energy and the Environment as the fruit of a partnership with Centro Paula Souza. In addition, the exhibition was added to a project run by the State's Culture and Education departments to help teachers and pupils from the public school system to visit museums, cultural centers, art institutes and parks.

Comgás participates in the formulation and implementation of strategies and policies that strengthen the natural gas sector, such as discussions around to Law 11.909/09 (known as the Gas Law), which covers natural gas production, logistics and storage in Brazil. This legislation provides legal arrangements for the sector by establishing a clear regulatory framework, thus encouraging more investment. It also underlines Article 25 of Brazil's Constitution: "States may operate local piped gas services directly or through concessions, as stipulated by law, and provisional measures may not be issued for their regulatory control."

Fourteen departments of the state government, municipalities from the coast of the state, teaching and research institutes and business corporations comprise the Special Committee on Oil and Natural Gas in the State of São Paulo (CESPEG), which concluded its report in 2010. The committee's aim is to analyze the impact of exploitation of natural resources discovered

in the Santos Basin and establish sustainable alternatives for increasing gas' share of the state's energy matrix. The report covered various aspects of the issue and the results were compiled in the publication "Oil and Gas in the State of São Paulo: panoramas, challenges and public policies", along with surveys, analysis and proposals for developing the sector. In August 2010, São Paulo's State government launched its Oil and Gas Program as a direct result of CESPEG's activities.

In the second half of November, through the Gas Chair - a project of Comgás R&D Company (for more details, see page 40) - Comgás was actively involved in a workshop on "Government Plans for Developing the Natural Gas Market", which discussed issues relating to gas and identified barriers that need to be overcome to boost natural-gas use in the State of São Paulo. The event was attended by representatives of the Department of Energy, ARSESP and other natural gas distributors in the State, among other participants.

In the municipalities in its concession area, Comgás also arranges studies of topics such as zoning codes requiring new buildings to provide for gas supplies, as well as the reduction or elimination of charges for using subsoil currently applied by some municipalities. We also develop programs to introduce NGV for use in public transport and contribute to studies and proposals for the certification of eco-efficient buildings powered by natural gas.

Comgás is also involved in the leading industry organizations: it has a representative on the Executive Committee of the International Gas Union (IGU) and a board member of Abegás. It also participates in the Strategic Decision Council of the Brazilian Infrastructure Association (ABDIB), and a vice presidency of CIESP / FIESP and the Association of Energy Companies in the State of São Paulo (SIESP).

COMGÁS PARTICIPATES IN THE FORMULATION AND IMPLEMENTATION OF STRATEGIES AND POLICIES THAT STRENGTHEN THE NATURAL GAS SECTOR, SUCH AS DISCUSSIONS AROUND TO LAW 11.909/09 (KNOWN AS THE GAS LAW), WHICH COVERS NATURAL GAS PRODUCTION, LOGISTICS AND STORAGE IN BRAZIL.

Anti-corruption policies and training are part of the plans for training and developing employees. The theme is included in Comgás principles, which include a Dictionary of Company Values, Corporate Principles manual, and Code of Conduct. In addition, a series of Comgás procedures relating to the subject is available to all employees on the intranet. In 2010, 100% of staff participated in anti-corruption training.

4

environmental management

THE COMGÁS ENVIRONMENTAL MANAGEMENT SYSTEM, RECERTIFIED UNDER ISO 14001 IN 2010, ESTABLISHES PRACTICES TO BE IMPLEMENTED BY ALL INTERNAL BUSINESS AREAS IN ORDER TO REDUCE IMPACTS OF OPERATIONS FOR THE ENVIRONMENT.

It involves measures to rationalize resources by prioritizing areas already modified by human action (anthropized) when laying pipelines, although the effects of this kind of intervention are negligible and indirect. These initiatives involves an investment of R $ 35,478 in 2010.

Comgás rarely intervenes in protected areas, but if this is necessary, there is a prior evaluation by the state government's Environment department and its Environmental Company, the São Paulo State Department of Protection of Natural Resources, the Department of Land Occupation and Use and the Forestry Foundation. After inspecting the sites, a professional from the Licensing unit examines and characterizes flora found at these sites, and Comgás then submits reports and technical opinions. Whenever possible, the proposal is to alter the path of the ´pipeline or use a different construction method in order to minimize impact. If pipeline work involves crossing streams or rivers, the preferred method is directional drilling, which has no impact on "permanent preservation" areas (APPs).

In 2010, Comgás signed five Environmental Recovery agreements (TCRAs) to be completed within two years, for having intervened in protected areas. Two of them are already underway.

Although laying pipeline networks does damage vegetation, Comgás offsets it by planting native species from the Atlantic Forest area. Since 2006, a partnership with an NGO (SOS Mata Atlantica) led to trees being planted in one single location to ensure results, effective monitoring and sustainable management. Since then, 35 hectares have been planted with some 58,000 native species seedlings. To highlight the environmental significance of these measures, Comgás intends to sign a partnership agreement with the Government of São Paulo's program for recovering degraded riverside gallery-forest areas.

In addition to legal obligations, the company voluntarily commits to compensate municipalities in order to foster recovery of vegetation in their localities.

ALTHOUGH LAYING PIPELINE NETWORKS DOES DAMAGE VEGETATION, COMGÁS OFFSETS IT BY PLANTING NATIVE SPECIES FROM THE ATLANTIC FOREST AREA. SINCE 2006, A PARTNERSHIP WITH AN NGO (SOS MATA ATLANTICA) LED TO TREES BEING PLANTED IN ONE SINGLE LOCATION TO ENSURE RESULTS, EFFECTIVE MONITORING AND SUSTAINABLE MANAGEMENT.

A valve in the Serra do Mar State park was removed in 2010. The intention was to reduce the impact of the constant maintenance required by taking measures previously approved by the area manager.

	Habitats suppressed (km^2)	Habitats protected (km^2)	Ongoing revegetation habitats (km^2)	Temporary revegetation habitat (km^2)
Amazon Forest	Not applicable	Not applicable	Not applicable	Not applicable
Atlantic Forest	0.000014	Not applicable	Not applicable	Not applicable
Cerrado savanna	Not applicable	Not applicable	Not applicable	Not applicable
Mangrove swamp	Not applicable	Not applicable	Not applicable	Not applicable
Pampa	Not applicable	Not applicable	Not applicable	Not applicable
Other	Not applicable	Not applicable	Not applicable	Not applicable

Location of pipeline networks

	Area (km^2)	Attribute (biodiversity value)	Location (municipality/ state)
Owned, leased or managed land in protected or high-level biodiversity areas	0.00007258	Permanent Preservation Area (locally AFP) in anthropized area	Public thoroughfares in municipalities within concession area, in the State of São Paulo
Owned, leased or managed areas adjacent	Public thoroughfares	Environmental Protection Area (local acronym APA), Watershed Protection Area (APM) and State Park (PE) in Serra do Mar to protected or high-level biodiversity areas	Amparo, Barueri, Bragança Paulista, Cajamar, Cubatão, Embu-Guaçu, Itaquaquecetuba Jaguariuna, Jundiaí, Cabreúva, Mogi das Cruzes, Osasco, São Paulo, São Bernardo do Campo, Rio Grande da Serra and Suzano.

** Pipeline networks located in these environmental protection areas (local acronyms APM, APP, and PE) since the company started operations*

Consumo

To ensure efficient use of resources such as water, energy and paper, Comgás runs internal campaigns to boost environmental awareness. Last year, units consumed approximately 3 million kWh from hydroelectric sources, and 1.2 million from natural gas generation. Gas used for this purpose has grown 129% on the previous year's volume due to the migration of approximately 250 people from Comgás offices in Vila Olimpia, São Paulo, to CORM-SP, where there is an energy cogeneration system in place. This system provides some 80% of energy consumed by the unit.

Water consumption was up 10.7% in 2010 despite measures such as installing faucets with timer devices and reusing rainwater. In the period, some 2,100 cm of water was reused in toilets at CORM-SP, and

a meter was installed in May to measure consumption of reusable water. Higher water consumption in the period was due to a long drought period, continuing soil remediation at the Mooca unit, and leakage at the CORM-SP fire-fighting unit.

Fuel consumption by Comgás vehicles also rose in 2010 due to the number of vehicles used and distances traveled to expand operations. Comgás encourages staff to organize car-pooling using a list posted on the intranet. The initiative aims to reduce the number of cars circulating and the emission of pollutants, improve traffic conditions and cut back fuel and parking expenses.

Another measure taken to prevent gas emission in the atmosphere was renovating cast iron piping. In 2010, Comgás invested $ 35.6 million to renew 54.8 km of its pipeline network. Cast iron pipes may show fissures and thus cause natural gas leakages. Renewing them saved the atmosphere from the equivalent of 4,756.3 tons of CO_2 emissions.

Direct energy used by source

Year	Hydroelectric (kWh)	Natural gas (cm)
2008	3,195,682	288,911
2009	3,003,987	156,806
2010	2,986,882	359,113

Total water consumed

Year	Volume (cm)
2008	15,571
2009	16,188
2010	17,915

Comgás GHG emissions (in CO_2 equivalent tons)

Year	
2008	111,420*
2009	119,418
2010	113,203,575

**Final value, the 2008 report showed an estimate*

Methane emissions (tons)	
2008	5,237*
2009	5,629
2010	5,272.55

**Final value - the 2008 report showed an estimate*

Consumed by Comgás vehicles - 2010	
Gasoline (l)	99,558
Alcohol (l)	317,880
Diesel (l)	95,060
NGV (cm)	230,784
Total kms traveled	6,232,141

Waste and effluents

Comgás encourages selective collection of solid waste, including construction site rubble, and a group of employees is responsible for sorting waste materials, which are then sold to Multilixo. The proceeds are used to send class 1 waste (batteries, cell phone batteries, fluorescent lamps, etc.), to a co-processing unit (Contencom in Rio de Janeiro). In the Campinas and Baixada Santos regions too, Multilixo collects waste and arranges proper disposal. The Vale do Paraíba units have partnerships with local governments to ensure correct disposal.

Some of the waste from Comgás production processes is classified as hazardous, and incinerated in blast furnaces operated by cement manufacturers. The main waste products are dust from scrubber cleaning, mercaptan, batteries, oil-contaminated material, grease, paint and solvents, lamps, laboratory reagents, anaerobic resin and filter backwash effluent. In accordance with the Basel Convention, Comgás does not transport hazardous waste.

In 2010, 118 cm of water with organic waste from sump cleaning and 49 cm containing industrial waste from filter cleaning was discharged to public sewers maintained by the state's sanitation company (Sabesp).

Sewage from the CORM-SP unit is ecologically treated with 80% to 95% efficiency in terms of removal of organic matter. The process is basically a biological one requiring the use of chemicals and complex machinery but maintenance is quite simple. After treatment, sewage goes to the reusable water tank or is discharged into public sewers, depending on reservoir levels and seasonal rainfall. The system does not have a meter to measure volume discharged.

Environmental expenses – 2010

	(R$)
Waste and effluents	
Treatment and disposal	353,343.25
Cleanup costs, including spill remediation	1,737498.55
Subtotal Wastes and effluents	2,090,841.8
Prevention and environmental management	
External certification of management systems	10,477.91
External certification of management systems	956,250.00
Subtotal Prevention and environmental management	967,727.91
Total	**3,057,569.10**

Solid waste generated in 2010 by weight and disposal

	Quantity (t)	Disposal method
Hazardous waste	3.8	Co-processing
Hazardous waste	0	Industrial Landfill Class I
Hazardous waste	0.035	Incineration
Hazardous waste	4.64	Reprocessing
Non-hazardous waste (including site rubble)	375.4	Industrial Landfill Class II
Non-hazardous waste (excluding rubble)	238.6	Industrial Landfill Class II
Site rubble –	136.8	Industrial Landfill Class II
Recyclable	242.7	Recycling

Green IT

After transferring some staff from Vila Olimpia to CO-RMSP (metro region), around 30 km of Cat.6 cabling was removed from the Vila Olimpia site for Furukawa's Green IT program which extracts raw materials from cabling for recycling and use by other industries. Furukawa, a Comgás partner for access infrastructure, awarded Comgás a "Green Seal" for reusing 30 km of cables and accessories, thus avoiding 1.4 tons of copper being extracted, with 134 tons of iron ore and 705 kg of other non-recyclable materials. Electricity used was cut by 13,480 kWh, which is sufficient to power 90 households for a month.

According to Furukawa, the composition of previous-generation cabling and accessories includes PVC (polyvinyl chloride), PE (polyethylene) and heavy metals such as lead, copper and cadmium. If disposed of without proper treatment, or even burned or incinerated, these toxic components pollute air and soil. The Green IT program collects these materials after their removal, to be placed in special containers for transport by specialized companies and delivered to other certified recycling companies, which eventually transform waste into raw materials for other industries.

Furukawa also ensures that new products installed at Comgás and all clients are now free of toxic components, and all items made by Comgás now comply with the European RoHS directive.

IBASE INDICATORS

1. Base of calculation	2010 Amount (BRL k)	2009 Amount (BRL k)
Net Income (NI)	4,095,343.00	4,116,279.00
Operating Income (OI)	971,826.00	1,155,368.00
Gross Payroll (GP)	127,000.00	111,770.00

2. Internal social indicators	Amount (BRL k)	% on GP	% on NI	Amount (BRL k)	% on GP	% on NI
Food items	8,461.00	6.66	0.21	7,819.00	7,00	0.19
Compulsory social contributions	34,016.00	26.78	0.83	28,146.00	25.18	0.68
Private pension	4,010.00	3.16	0.10	3,873.00	3.47	0.09
Health	13,634.00	10.74	0.33	11,439.00	10.23	0.28
Helath & safety at work	-	-	-	-	-	-
Education	-	-	-	-	-	-
Culture	-	-	-	-	-	-
Qualification and professional development	1,110.00	0.87	0.03	1,922.00	1.72	0.05
Nursery ou nursery benefits	180	0.14	0.00	179.3	0.16	0.00
Profit/Gain sharing	18,600.00	14.65	0.45	17,700.00	15.84	0.43
Other	-	-	-	1,003.00	0.90	0.02
Total - Internal social indicators	**80,011.00**	**63.00**	**1.95**	**72,117.00**	**64.49**	**1.75**

3. External social indicators	Amount (BRL k)	% on OI	% on NI	Amount (BRL k)	% on OI	% on NI
Education	856,00	0.09	0.02	1.020,00	0.09	0.02
Culture	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Sports	-	-	-	-	-	-
Fight against hunger and food safety	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total contributions to society	856,00	0.09	0.02%	R$ 1.020,00	0,09%	0,02
Taxes (excluding social contributions)	-	-	-	-	-	-
Total - External social indicators	**856,00**	**0.09**	**0.02**	**1,020.00**	**0.09**	**0.02**

4. Environmental indicators	Amount (BRL k)	% on OI	% on NI	Amount (BRL k)	% on OI	% on NI
Investments related to production/ operation of the company	26	0.02	0.00	21	0.00	0.00
Investments in external programs and/or projects	-	-	-	-		
Total investments in the environmental	26	0.02	0.00	21	0.00	0.00

Concerning the definition of annual targets to minimize residues, the consumption in general in the production/operation and increase of efficiency in the use of natural resources, the company:	has no targets defined [x] 51 to 75% achievement [ ] 0 to 50% achievement [ ] 76 to 100% achievement [ ]	has no targets defined [x] 51 to 75% achievement [ ] 0 to 50% achievement [ ] 76 to 100% achievement [ ]

5. Personnel indicators	2010	2009
Nº of employees at the end of the period	979	948
Nº of admissions during the period	100	88
Nº of outsourced employees	3,912	3,543
Nº of trainees	90	78
Nº of empolyees over 45 years old	226	215
Nº of women working in the company	310	291
% of leadership roles occupied by women	28.28	24.8
Nº of black people working in the company	25	98
% of leadership roles occupied by black people	0	1.5
Nº of people with disability or special people	40	40

6. Information referring to the exercise of corporate citizenship	2010	2009
Difference between highest and lowest remunaration in the company	59,7 times bigger	57,4 times bigger
Total number of work-related accidents	1	0
The social and environmental projects developed by the company were defined by:	board [ ] board and management [x] all employees [ ]	board [ ] board and management [x] all employees [ ]
The standards of security and salubrity in the workplace were defined by:	board and management [x] all employees [ ] all personnel + Cipa [ ]	board and management [x] all employees [ ] all personnel + Cipa [ ]
Concerning trade-union freedom, the right of colletive neotiation and internal representation of workers, the company:	does not get envolved [ ] follows OIT norms [ ] motivates and follows OIT norms [x]	does not get envolved [ ] follows OIT norms [ ] motivates and follows OIT norms [x]
Private pension is for:	board [ ] board and management [ ] all employees [x]	board [ ] board and management [ ] all employees [x]
Profit/Gain sharing is for:	board [ ] board and management [ ] all employees [x]	board [ ] board and management [ ] all employees [x]
In selection of suppliers, the same ethical standards and of social and environmental responsability adopted by the company:	are not considered [ ] are suggested [ ] are required [x]	are not considered [ ] are suggested [ ] are required [x]
Concerning about the participation of employees in voluntary work prograннesm the company:	does not get involved [ ] supports [ ] organizes and motivates [x]	does not get involved [ ] supports [ ] organizes and motivates [x]
Total number of complaints and comments from consumers:	in company 110.586 at Procon 1.204 lawsuits 206	in company 86652 at Procon 674 lawsuits 130
% of complaints and comments resolved:	in company 82% at Procon 97% lawsuits 43%	in company 19% at Procon 77% lawsuits 20%
Total value added dor distribution (in BRL k):	1,676,375.00	1,889,746.00
Distribution of Value Added (DVA):	government 47% collaborators 7% shareholders 8% third parties 12% retained 31%	government 51% collaborators 7% shareholders 7% third parties 16% retained 19%

GRI summary

		Comment	Page
1.1	Representation regarding the relevance of sustainability	Message from the Board of Directors	13
		Message from the President	14
1.2	Description of the paramount impacts, risks and opportunities	Risk Management	36 to 38
		The Natural Gas Market in Brazil and Comgás' Performance	28 to 32
2.1	Organization name	Profile	9 to 11
2.2	Main brands, products and/or services	Profile	9 to 11
2.3	Operational structure	Profile	9 to 11
2.4	Home office location	Profile	9 to 11
2.5	Number of countries in which the company operates	Profile	9 to 11
2.6	Type and legal nature of the property	Profile	9 to 11
2.7	Markets served (regions, sectors and client / beneficiary types)	Profile	9 to 11
2.8	The size of the organization	Main Indicators	Inner Cover Page
2.9	Main changes that have taken place during the period covered by the report pertaining to size, structure or equities held	Profile	9 to 11
2.10	Awards received during the period covered by the report	Diffuse Assets	41
3.1	Period covered by the report pertaining to the information that have been presented	About the Report	7
3.2	Date of the most recent previous report	About the Report	7
3.3	Report issuance cycle (yearly – twice yearly)	About the Report	7
3.4	Contact information	About the Report	7
3.5	Procedure to define contents	About the Report	7
3.6	Extent of the report (countries, divisions, subsidiaries, vendors)	About the Report	7
3.7	Representations on any specific limitations as to the scope or the extent of the report	About the Report	7
3.8	Grounds used to prepare the report regarding joint ventures, subsidiaries, etc.	About the Report	7
3.9	Data commensuration techniques and grounds used for the calculations	About the Report	7
3.10	Consequences arising from any reformulation of previous information	About the Report	7
3.11	Significant changes as compared to previous years	About the Report	7
3.12	Table identifying the location of the information used in the report	GRI Summary	64
3.13	Current policy and practices pertaining to the outside checking on the data used for the report	No outside checking of information was done regarding the information presented in the report	
4.1	Governance structure	Corporate Governance	17 to 21
4.2	Appointment in case the president of the highest governance body is also a director	Corporate Governance	17 to 21
4.3	Independent or non executive members of the highest governance body	Corporate Governance	17 to 21
4.4	Mechanisms allowing shareholders and employees to make recommendations	Corporate Governance	17 to 21
4.5	Relationship between performance and remuneration	Corporate Governance	17 to 21
4.6	Ongoing legal proceedings to assure that conflicts of interest are avoided	Corporate Governance	17 to 21
4.8	Representations as to the mission and as to values, codes of conduct, and main relevant domestic principles of material significance to economic, environmental and social performance, as well as the status of their implementation	Mission, Vision and Values	12

		Comment	Page
4.11	The principle of precaution	Risk Management	36 to 38
4.12	Letters, principles and other external initiatives, whether undertaken or endorsed	The company does not engage itself in such acts and it is not associated to social entities	
4.13	Participation in associations and/or national/international bodies	Government and the Community	54 and 55
4.14	List of stockholder groups engaged by the organization	Relationship with the Domestic public Vendors The Community Government and Society	43 to 48 49 and 50 52 to 54 54 and 55
4.15	Grounds to identify and to select stakeholders who are to be engaged	Relationship with the Domestic public Vendors The Community The Government and Society	43 to 48 49 and 50 52 to 54 54 and 55

Economic Performance

EC1	Direct economic value (generated and distributed) (DVA)	Economic – Financial Performance	34
EC2	Financial implications, risks and opportunities arising from climate changes	The gas Market in Brazil and Comgás' Performance	28 to 32
EC3	Reserves to cover obligations regarding any defined benefit pension plans	Relationship with the Domestic Public	48
EC5	The lowest salary paid as compared with the local minimum salary	Relationship with the Domestic Public	48
EC6	Policies, practices and rates of expenditure with local vendors	Relationship with Vendors	49
EC7	Procedures pertaining to local hiring	Any hiring done by Comgás takes into account the training level of its collaborators. There is no specific policy to privilege local selection	
EC8	Investments in infrastructure and services within the community	The Community	52 to 54

Performance Regarding The Environment

EN3	The consumption of direct energy sorted by primary energy sources	Environment Management	60
EN4	The consumption of indirect energy sorted by primary energy sources	No such type of consumption at Comgás	
EN6	Initiatives taken to furnish products and services requiring low energy consumption	Diffuse Assets Business Strategy	40 25
EN7	Initiatives taken to reduce the indirect consumption of energy and the savings achieved	No such type of consumption at Comgás	
EN8	Total volume of water retrieved (by source)	The Management of the Environment	59 and 60
EN10	Recycled and reused water	The Management of the Environment	60 and 61
EN11	Location and size of the area taken up by the Company within protected areas or areas presenting a high biodiversity rate	The Management of the Environment	58 and 59
EN12	Description of any significant impacts on biodiversity	The Management of the Environment	58 and 59
EN13	Protected or restored habitats	The Management of the Environment	58 and 59
EN14	Management of impacts on biodiversity	The Management of the Environment	58 and 59
EN15	Number of species on IUCN's Red List and on national conservation lists		None
EN16	Total direct and indirect emissions of greenhouse effect producing gases (by weight)	The Management of the Environment	60
EN17	Other material releases of greenhouse effect producing gases (by weight)	Comgás does not compute any indirect emissions	
EN18	Initiatives taken to reduce the emissions of greenhouse effect gases and the reductions obtained	The Management of the Environment	57 to 61
EN19	Emission of substances that are destroying the ozone layer (by weight)	The Management of the Environment	60
EN20	NOx, SOx and other significant emissions into the atmosphere, by type and by weight	The Management of the Environment	60

		Comment	Page
EN21	Total volume of water discarded (by quality and by destination)	The Management of the Environment	60 and 61
EN22	Total residue weight (by type and by method of disposal)	The Management of the Environment	61
EN24	Weight of dangerous residues that have been transported, imported, exported or treated	Comgás does not transport any so-called dangerous products (as determined by the Basel Convention)	
EN26	Initiatives taken to mitigate the impact on the environment of products and services	The Management of the Environment	57 to 61
EN28	Fines and sanctions due to non compliance with environmental laws and regulations	The company was not levied any significant fines pertaining to its Management of the Environment	
EN29	Impacts on the environment arising from the transportation of products, goods, materials and workers	The Management of the Environment	60 and 61
EN30	Total investments and expenditures to protect the environment (by type)	The Management of the Environment	61

Labor Practices and Decent Working Conditions

LA1	Workers by type of employment agreement and by region	Relationship with the Domestic Public	45
LA2	Total number and turn-around rate of employees by age, type and region	Relationship with the Domestic Public	45
LA3	Benefits not offered to temporary or part-time employees	Relationship with the Domestic Public	47 and 48
LA4	Percentage of employees encompassed by umbrella labor agreements	Relationship with the Domestic Public	45
LA5	Minimum timeframe to inform operational changes	Changes are informed to employees by the formal communication media established by Comgás and the timeframes vary according to the process that has been envisaged	
LA6	Percentage of employees represented by formal safety and health committees		75%
LA7	Injuries, occupational illnesses rates, days lost, absenteeism and deaths	Business Strategy	40
LA8	Education, training, advisory, prevention and risk control programs	Relationship with the Domestic Public	46 to 48
LA9	Themes pertaining to safety and health, covered by formal agreements with labor unions	The umbrella labor agreements that have been entered into comprise these themes. All the topics have been encompassed by the SSMQ Policy and they are part of Comgás' management system.	
LA10	Average of hours of training per year, by employee and by job description	Relationship with the Domestic Public	47
LA11	Programs to manage skills and continued education, as well as career endings	Relationship with the Domestic Public	46 to 48
LA12	Percentage of employees who regularly get performance analyses	Relationship with the Domestic Public	47
LA14	Basic salary rate between men and women by job description	Relationship with the Domestic Public	48

Human Rights

HR1	Investment contracts which included clauses pertaining to human rights	Relationship with vendors	49 and 50
HR3	Employee training in human rights	Relationship with the Domestic Public	46 to 48
HR4	Total number of cases of discrimination and the measures taken	No cases recorded in 2010	
HR6	Operations involving a significant risk of child labor	Comgás has not identified any instances of child (or analogous to slave) labor within its roster of vendors, which are periodically evaluated in regards to their social and corporate responsibility. The aforementioned contracts include clauses that are relevant to the theme, and which have established commitments and which got aligned with Comgás' Code of Conduct.	

		Comment	Page
HR7	Operations identified employing forced labor or labor analogous to slave labor	Comgás has not identified any instances of forced (or analogous to slave) labor among its vendors, which are periodically evaluated in regards to aspects pertaining to social and corporate responsibility. The aforementioned contracts include clauses that are relevant to the theme, and which have established commitments and which got aligned with Comgás' Code of Conduct.	
HR8	Security personnel trained in human rights	Relationship with the Domestic Public	46 to 48
HR9	Total number of civil rights violations of Indian peoples and the measures taken	No cases recorded in 2010	

The Community in General

SO1	Programs and practices to evaluate and to handle the impacts of the operations vis-à-vis the communities	The Community	52 to 54
SO2	Business units subject to evaluation of risks associated to corruption	Corporate Governance Risk Management Government and Society	17 to 21 36 to 38 54 and 55
SO3	Employees trained in anti-graft policies and procedures	Corporate Governance Government and Society	17 to 21 54 and 55
SO4	Measures taken in response to cases of graft	None recorded during the year	
SO5	Stand and participation in the elaboration of public policies as well as in lobbies	Government and Society	54 and 55
SO6	Contributions to political parties, politicians or associated institutions	Comgás is prohibited by law from making these types of contributions	
SO7	Legal actions arising from unfair competition, trust and monopoly practices	None recorded during the year	
SO8	Fines and sanctions arising from non compliance of laws and regulations	No meaningful fines were levied nor sanctions were applied during the period	

Responsabilidade sobre o produto

PR3	Type of information required to be provided on labels about products and services	No labeling requirements exist in the commercialization and distribution services of natural gas	
PR4	Non compliance cases associated to information and to labeling	No labeling requirements exist in the commercialization and distribution services of natural gas	
PR5	Practices associated to providing client satisfaction, including research results	Relationship with Clients	51 and 52
PR6	Voluntary compliance with norms and codes pertaining to marketing communications	Comgás did not join any program or regulatory codes associated to marketing. Its communications are marked by ethics and respect to the different types of public with which the company interacts	
PR7	Non compliance cases regarding marketing communications	Comgás did not join any program or regulatory codes associated to marketing. Its communications are marked by ethics and respect to the different types of public with which the company interacts	

financial statements

COMPANHIA DE GÁS DE SÃO PAULO - COMGÁS
December, 31 2010 and 2009 with report of independent auditors

The Financial Statements presented are a translation from the original version in Portuguese, audited by PricewaterhouseCoopers Auditores Independentes. The original version of the complete Financial Statements in Portuguese, including the report of independent auditors (favourable), is available on the website http://www.comgas.com.br/en/investors/

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BALANCE SHEETS
Years ended December 31
(BRL '000)

ASSETS	Dec 31 2010	Dec 31 2009	Jan 1 2009
CURRENT			
Cash and near cash (Note 9)	145,380	194,273	39,726
Receivables - customers (Note 10)	370,018	430,344	490,921
Other accounts receivable (Note 11)	10,714	23,043	33,308
Inventories (Note 12)	160,151	111,205	82,340
Indirect taxes to be offset (Note 13)	37,803	36,237	60,749
Other	23,602	18,617	15,319
	747,668	**813,719**	**722,363**
Assets held for sale(Note 14)	16,028	14,479	14,688
	763,696	**828,198**	**737,051**
NONCURRENT			
Long-term receivables			
Income tax and social contribution deferred (Note 23)	-	53,766	208,693
ICMS to recover (Note 15)	9,481	9,674	9,859
Accounts receivable (Note 16)	21,710	3,992	4,325
Judicial deposits	13,510	13,598	12,554
Other	1,366	2,185	1,304
	46,067	**83,215**	**236,735**
Intangibles (Note 17)	3,038,079	2,848,701	2,645,266
	3,084,146	**2,931,916**	**2,882,001**
TOTAL ASSETS	**3,847,842**	**3,760,114**	**3,619,052**

Management notes are an integral part of the financial statements.

BALANCE SHEETS (CONTINUATION)

Years ended December 31
(BRL '000)

LIABILITIES AND SHAREHOLDER EQUITY	Dec 31 2010	Dec 31 2009	Jan 1 2009
CURRENT			
Derivatives (Note 19)	46,380	30,325	18,305
Borrowings (Note 18)	342,462	599,300	576,911
Non-convertible debentures (Note 20)	4,805	4,029	6,070
Suppliers (Note 21)	424,105	408,344	645,660
Controlling companies (Note 22)	1,172	9,638	10,594
Salaries and social security charges	36,466	36,265	37,646
Taxes and contributions to be paid	61,142	67,954	50,604
Dividends and interest on shareholder equity	92,299	32,105	129,107
Income tax and social contribution to be paid (Note 23)	105,887	48,965	129,249
Other payables	2,963	8,446	12,607
	1,117,681	**1,245,371**	**1,616,753**
NONCURRENT			
Borrowings (Note 18)	1,006,106	916,455	882,984
Non-convertible debentures (Note 20)	100,000	100,000	100,000
Prepayments from customers and others	28,468	29,473	23,537
Pension benefit obligations (Note 26)	133,916	124,129	117,629
Contingency provision (Note 24)	61,444	41,034	39,056
Deferred income tax and social contribution (Note 23)	23,827	-	-
	1,353,761	**1,211,091**	**1,163,206**
NET SHAREHOLDER EQUITY			
Paid-in capital (Note 25)	636,985	636,863	326,570
Capital reserves	1,292	25,661	84,147
Revaluation reserves	13,169	14,344	15,750
Income reserves	724,954	626,784	412,626
	1,376,400	**1,303,652**	**839,093**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,847,842**	**3,760,114**	**3,619,052**

Management notes are an integral part of the financial statements.

STATEMENTS OF INCOME

Years ended December 31
(BRL '000)

	2010	2009
Revenue (Note 28)	**4,095,343**	**4,116,279**
Gas sales	3,816,780	3,868,538
Revenue from construction - ICPC 01	257,647	224,693
Other revenues	20,916	23,048
Cost of gas	**(2,575,560)**	**(2,444,000)**
Cost of gas	(1,960,475)	(1,849,442)
Transportation and other	(357,438)	(369,865)
Construction - ICPC 01	(257,647)	(224,693)
Gross profit	**1,519,783**	**1,672,279**
Selling expenses	(92,819)	(99,399)
General and administrative expenses	(448,692)	(387,021)
Other operating expenses	(6,446)	(30,491)
Operating income	**971,826**	**1,155,368**
Net financial expenses (Note 30)	**(134,590)**	**(175,731)**
Financial revenues	31,379	27,333
Financial expenses	(165,969)	(203,064)
Profit before income tax and social contribution	**837,236**	**979,637**
Income tax and social contribution (Note 23)	(257,256)	(289,243)
Net income for the year	**579,980**	**690,394**
Basic and diluted earnings per share attributed to Comgás shareholders - BRL per share (Note 31)		
Preferred	5.21	6.20
Common	4.74	5.64

Management notes are an integral part of the financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY
(BRL '000)

			Capital reserves	
	Capital	Tax Incentives	For future capitalization	Goodwill reserve
January 1, 2009	**326,570**	**1,201**	**58,576**	**24,370**
Shares paid in	293	-	(293)	
Payments for Class B preferred shares (Note 25 (a))	-	-	(33,823)	(24,370)
Capitalization of income reserves	310,000	-	-	-
Revaluation reserve reversed	-	-	-	-
Income tax and social contribution on reversal of revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Uses of income				
Legal reserve	-	-	-	-
Dividends proposed	-	-	-	-
Dividends paid	-	-	-	-
Interest on shareholder equity	-	-	-	-
Retained earnings	-	-	-	-
December 31, 2009	**636,863**	**1,201**	**24,460**	**-**
Shares paid in	122	-	(122)	-
Payments for Class B preferred shares (Note 25 (a))	-	-	(24,247)	-
Revaluation reserve reversed	-	-	-	-
Income tax and social contribution on reversal of revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Uses of income				
Legal reserve	-	-	-	-
Dividends proposed	-	-	-	-
Dividends paid	-	-	-	-
Interest on shareholder equity	-	-	-	-
Retained earnings	-	-	-	-
December 31, 2010	**636,985**	**1,201**	**91**	**-**

Management notes are an integral part of the financial statements.

		Income reserves		
Revaluation reserve	Legal reserve	Retained income	Earned surplus	Total
15,750	**65,313**	**347,313**	**-**	**839,093**
-	-	-	-	-
-	-	-	-	(58,193)
-	(49,828)	(260,172)	-	-
(2,130)	-	-	2,130	-
724	-	-	(724)	-
-	-	-	690,394	690,394
-	18,464	-	(18,464)	-
-	-	-	(28,101)	(28,101)
-	-	(71,043)	-	(71,043)
-	-	-	(68,498)	(68,498)
-	-	576,737	(576,737)	-
14,344	**33,949**	**592,835**	**-**	**1,303,652**
-	-	-	-	-
-	-	-	-	(24,247)
(1,867)	-	-	1,867	-
692	-	-	(692)	-
-	-	-	579,980	579,980
-	29,058	-	(29,058)	-
-	-	-	(83,696)	(83,696)
-	-	(336,898)	-	(336,898)
-	-	-	(62,391)	(62,391)
-	-	406,010	(406,010)	-
13,169	**63,007**	**661,947**	**-**	**1,376,400**

STATEMENTS OF CASH FLOWS

Years ended December 31
(BRL '000)

	2010	2009
Profit before income tax and social contribution	**837,236**	**979,637**
Adjustments for		
Depreciation and amortization (Note 17)	210,257	202,525
Net book value of derecognized intangible assets (Note 17)	5,458	3,275
Interest and monetary variation on borrowings and debentures	136,283	172,833
Contingency provision for labor and civil-law claims, administrative proceedings/judicial deposits	20,499	1,978
Post-employment benefit as per CVM No. 600	9,786	6,501
Doubtful debtor provision (Note 10)	5,132	17,228
Other	-	(1,397)
Net cash from operating activities	**1,224,651**	**1,382,580**
Changes in assets and liabilities		
Accounts receivable	37,474	49,821
Taxes to offset and ICMS to recover - PP&E	(1,373)	25,754
Inventories	(48,944)	(28,866)
Suppliers	15,762	(237,316)
Taxes, fees and contributions	(13,196)	21,974
Provisions for vacations, profit sharing and earnings	4,964	(345)
Sundry credits, prepaid expenses and other	6,613	(4,269)
Advances from customers and other	(15,124)	338
Cash from operations	**1,210,827**	**1,209,671**
Income tax and social contribution paid	(124,571)	(219,413)
Net cash from operations	**1,086,256**	**990,258**
Net cash from investing	**(405,093)**	**(409,235)**
Additions to intangibles	(405,093)	(409,235)
Net cash from financing activities	**(730,056)**	**(426,476)**
Borrowings / financing	519,935	910,619
Amortization of principal - borrowings / financing	(670,889)	(859,275)
Interest charges paid - borrowings /financing	(135,687)	(155,522)
Interest on shareholder equity	(54,570)	(64,298)
Payment of dividends	(364,598)	(199,807)
Payments of B-class preferred shares	(24,247)	(58,193)
Increase/(decrease) cash and near cash	**(48,893)**	**154,547**
Initial balance cash and near cash	**194,273**	**39,726**
Final balance cash and near cash	**145,380**	**194,273**

Management notes are an integral part of the financial statements.

STATEMENTS OF VALUE ADDED

Years ended December 31
(BRL '000)

	2010	2009
Revenues	**5,152,199**	**5,222,774**
Revenue from gas sales	4,882,831	4,995,935
Other operating revenues	23,153	25,497
Doubtful debtor provision	(4,986)	(17,228)
Revenue from construction - ICPC 01	257,647	224,693
Other revenues (expenses)	(6,446)	(6,123)
Costs and expenses	**(3,297,501)**	**(3,158,389)**
Cost of gas and transport	(2,899,909)	(2,799,765)
Cost of goods/services sold	(16,256)	(12,665)
Construction cost - ICPC 01	(257,647)	(224,693)
Materials, services and other expenses	(123,689)	(121,266)
Gross value added	**1,854,698**	**2,064,385**
Retentions	**(209,702)**	**(201,972)**
Amortizations	(209,702)	(177,602)
Amortization goodwill premium	-	(24,370)
Net value added generated	**1,644,996**	**1,862,413**
Added value received as transfer	**31,379**	**27,333**
Financial revenues	31,379	27,333
Value added for distribution	**1,676,375**	**1,889,746**
Distribution of value added	**1,676,375**	**1,889,746**
Personnel and related charges	114,578	101,639
Taxes, fees and contributions	787,338	879,654
Financial expenses and rents	194,480	218,060
Dividends	83,696	28,101
Interest on shareholder equity	62,391	68,498
Retained earnings	433,892	593,794

Management notes are an integral part of the financial statements.

MANAGEMENT NOTES TO FINANCIAL STATEMENTS ON DECEMBER 31, 2010
(BRL '000)

1. GENERAL INFORMATION

The principal business of COMGÁS is the distribution of piped natural gas in part of the State of São Paulo (approximately 180 municipalities, including the Greater São Paulo region) for consumers in the industrial, residential, commercial, automotive, thermal generation and cogeneration sectors.

Comgás is a publicly traded corporation with headquarters in the City and State of São Paulo and is listed on the São Paulo Stock Exchange (BOVESPA). COMGÁS is directly controlled by Integral Investments B.V., controlled by BG São Paulo Investments B.V. (with a holding of 83.5%) and by Shell Gas B.V. (with a holding of 16.5%) whose final controllers are BG Group plc. and Royal Dutch Shell plc. respectively.

On May 31, 1999, a concession agreement for public piped-gas distribution services was signed by the new controlling shareholders and the licensing authority represented by the State of São Paulo Sanitation and Energy Regulatory Agency [ARSESP, formerly the Public Energy Services Commission (CSPE)].

The contract awards and regulates the concession for piped-gas public distribution services for 30 years, renewable once for 20 years at the request of the concession operator.

The regulatory agency (ARSESP) is responsible for ensuring performance of the contract and regulating, controlling and monitoring energy operations in the State of São Paulo.

The aforementioned concession agreement describes COMGÁS' obligations, tariff review rules and compliance with quality and safety indicators. ARSESP order 160/01 defined general conditions for the supply of piped gas.

Additionally, the concession agreement stipulates that Comgás' tariffs must be reviewed in May of each year in order to realign its price with the cost of gas and include inflation adjustment in the distribution margin.

The board approved the financial statements on January 18, 2011, including subsequent events that occurred up to this date.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used in preparing these financial statements are defined below. These policies have been applied consistently for all fiscal years shown unless otherwise specified.

2.1 Basis of presentation

Financial statements are presented in thousands of Brazilian reais (BRL '000) unless otherwise indicated, including notes, and have been prepared in accordance with accounting practices adopted in Brazil, based on the provisions

of the Corporation Law, rules set by CVM and pronouncements and guidelines issued by the Accounting Pronouncements Committee (CPC) and complemented by the Plan of Accounts for Public Piped Gas Distribution Service determined by ARSESP Order No 22 of November 19, 1999.

Compiling financial statements requires Comgás management to make use of certain critical accounting estimates and exercise of judgment in the process of applying accounting policies. Areas that require more use of judgment and involve high-complexity issues, as well as areas in which assumptions and estimates may materially affect financial statements, are disclosed in Note 4.

Comgás does not have any investments in subsidiaries/associates and/or other transactions that generate effects to be included in the statement of comprehensive income.

2.2 Segmental analysis

Operating segment data are shown in a manner consistent with the internal report provided for the principal operational decision-making body. The principal operational decision making body responsible for allocating resource and assessing performance of operating segments is the executive board, which is also responsible for Comgás strategic decision-making.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured and reported in Brazilian reais (BRL), which is the currency of the primary economic environment in which Comgás operates ("functional currency").

(b) Transactions and balances

Foreign currency transactions are translated into functional currency at the exchange rates prevailing on transaction or valuation dates, on which the items are re-measured. Foreign-currency exchange gains or losses arising from settlement of these transactions and translation at end-year exchange rates, relating to assets and liabilities in foreign currencies, are recognized in earnings statements.

Foreign-currency exchange gains and losses related to loans/borrowings, cash and near-cash are shown in earnings statements as financial revenue (expense).

2.4 Cash and near cash

Cash and near cash includes cash, bank deposits, other short-term investments in high liquidity investments that are readily convertible into known cash amounts and subject to insignificant risk of altered value.

2.5 Financial assets

2.5.1 Classification and measurement

Comgás classifies its financial assets in the following categories:(a) held for trading at fair value "through profit or loss" (b) loans and receivables, (c) held to maturity and (d) available for sale. Classification depends on the purpose for which financial assets were acquired.

(a) Held for trading at fair value "through profit/loss"

Financial assets held for trading are characterized by their being actively and frequently traded in financial markets. These assets are measured at fair value, and their variations are recognized in income under "Net financial expenses".

Transactions with derivatives are classified in this group and valued as described above. Comgás does not have any financial assets classified in this category.

(b) Loans and receivables

Loans and receivables with fixed or ascertainable payments that are not quoted in an active market are included in this category. Loans and receivables are initially recognized at fair value and subsequently adjusted in accordance with the effective rate of the corresponding transaction. Loans and receivables due within 12 months of balance sheet date are classified as current and the remainder as noncurrent.

Effective rate means the rate set in contracts and adjusted for the corresponding costs of each transaction.

(c) Assets held to maturity

Non-derivative financial assets with fixed or ascertainable payments having defined due dates and that Comgás positively intends to hold to maturity and is able to do so.

They are valued at amortized cost at the effective interest rate, and the interest charges are recognized in earnings. Comgás does not have any financial assets classified in this category.

(d) Financial assets available for sale

Financial assets available for sale are non-derivatives that are designated to this category or not classified in any other category. They are included in non-current assets unless management intends to dispose of the investment within 12 months of balance sheet date. Comgás does not have any financial assets classified in this category.

2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on traded date - the date on which Comgás undertakes to buy or sell the asset, if applicable. Financial assets are derecognized when the rights to receive cash flows from investments have expired or been transferred; in the latter case, on condition that Comgás has transferred substantially all risks and benefits of ownership. Loans and receivables are carried at amortized cost using the effective interest rate method.

2.5.3 Offsetting financial instruments

Financial assets and liabilities are not offset, except derivatives, whose net

value is reported on the balance sheet when there is a legally enforceable right to offset values recognized and there is the intention of netting or simultaneously realizing the asset and settling the liability.

2.5.4 Impairment of financial assets

Assets measured at amortized cost

Comgás periodically assesses whether there is objective evidence for the value of a financial asset or group of financial assets being impaired. An asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events occurring after initial recognition of assets (a "loss event") and that loss event (or events) has an impact on estimated future cash flows from a financial asset or group of financial assets that may be reliably estimated.

2.6 Fair value

The fair values of publicly quoted investments are based on current market prices. For financial assets lacking an active market, Comgás determines fair value by using valuation techniques. These techniques include comparison with third-party transactions, reference to other substantially similar instruments, discounted cash flow analysis, and option pricing models.

2.7 Derivatives and hedging

Derivatives are recorded at fair value and their monetary variations recognized in FY earnings.

Fair value hedge

Variations in fair value of derivatives designated and qualifying as fair value hedges are recorded in income statement, with any changes in fair value of the hedged asset or liability attributable to the hedged risk. Comgás only uses fair value hedge accounting to cover fixed-rate interest risk and foreign-currency exchange risk on loans, transferring them to floating rates in the local market (percentage of the CDI interbank rate).Gain/loss related to the effective portion of swaps is recognized in the earnings statement as "Financial expenses". If there is gain/loss related to the ineffective portion, this variation will be recognized in the earnings statement as "Financial expenses - net." Changes in fair value of hedged borrowings attributable to interest rate risk and/or exchange rates are recognized in the earnings statement as "Financial expenses".

If a hedge no longer meets hedge accounting criteria, any adjustment to the carrying value of a hedged item for which the effective interest rate method is used, is amortized in earnings for the period through maturity.

2.8 Accounts receivable

Recognized at values invoiced, adjusted to present value, if applicable. Allowance for doubtful accounts is made when there is objective evidence that Comgás will be unable to collect all amounts owed on the original due dates.

2.9 Inventories

Gas/transport balance paid but not used (take/ship or pay) is valued on a "first in, first out" (FIFO) basis.

The various materials are stated at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

2.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale if their carrying value is recoverable, principally through a sale and if this sale is virtually certain. These are valued at the lower of carrying value or fair value less selling costs if book value will be recovered principally through a sale transaction rather than by continuous use.

2.11 Intangibles

(a) Concession agreement

Comgás is party to a concession agreement for public service gas distribution services as described in Note 1, under which the concession authority controls the services to be provided and their prices, and holds a significant interest in the infrastructure at the end of the concession period. This concession agreement represents the right to charge users for gas supplied during the contract period. Therefore, Comgás recognizes this right as an intangible asset.

Building the infrastructure required for gas distribution is therefore considered a service provided to the concession authority and the corresponding revenue is recognized at cost in earnings.

Financing costs directly related to construction are also capitalized.

Comgás does not recognize margin on building infrastructure, since this margin is, mostly, related to third party services contracted at values that reflect fair value. In addition, there are no provisions in ARSESP regulations that support recognizing gains from this activity.

Amortization of intangible assets reflects the way in which future economic benefits from the asset are expected to be consumed by Comgás, which correspond to the working life of assets comprising infrastructure in line with ARSESP provisions as disclosed in Note 17.

Amortization of components of intangible asset is discontinued when the related asset has been fully consumed or when it has been derecognized and is no longer part of the calculation base for the concession service tariff, whichever occurs first.

Subject to assessment by the concession authority, Comgás has the option of requesting a one-time renewal of its distribution services for another 20 years. At the end of the concession period, assets related to providing gas distribution services will be reverted to the concession authority, and Comgás will be entitled to compensation in an amount to be determined based on surveys and valuations and noting the book values to be determined at this time.

(b) Contracts with customers - loyalty programs

Expenses incurred to provide gas supplies for new customers (including piping, valves and equipment in general) are recorded as intangible assets and amortized over duration of the contract.

(c) Computer programs (software)

User licenses for computer programs (software) that have been acquired are capitalized and amortized over their estimated working lives at the rates described in Note 17.

Expenses associated with software development or maintenance are recognized as expenses in the proportion they are incurred. Expenses directly associated with identifiable and unique software controlled by Comgás are recognized as intangible assets if they will probably generate economic benefits in excess of costs for more than one year Direct costs include compensation for software development team employees and the appropriate portion of related overhead expenses. Development expenses for software programs recognized as assets are amortized over their working lives using the straight-line method at the rates shown in Note 17.

2.12 Impairment of nonfinancial assets

Assets subject to amortization are reviewed for impairment whenever material events or altered circumstances indicate that their carrying value may not be recoverable. An impairment loss is recognized in the amount by which the asset's carrying amount exceeds its recoverable amount. The latter is whichever is higher of an asset's fair value less selling costs and its use value. Impaired non-financial assets are subsequently reviewed to analyze possible reversal of impairment on the date of submitting the report.

2.13 Suppliers

Accounts payable to suppliers are obligations to pay for goods or services that purchased from suppliers in the ordinary course of business and are classified as current liabilities if payment is due within one year (or within the normal operating cycle of the business, even if this is longer).Otherwise, accounts payable are shown as non-current liabilities.

They are initially recognized at fair value and if significant are subsequently measured at amortized cost using the effective interest rate method.

2.14 Borrowings

Borrowings are initially recognized at fair value upon receipt of the funds. They are subsequently shown at amortized cost, i.e. cost plus incurred charges and interest proportionate to the period (pro rata), or at fair value if hedged. When material, transaction costs are recognized as deduction from borrowings and recognized in earnings over the repayment period using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at 12 months or more after balance sheet date.

2.15 Contingent liabilities and legal obligations

Contingent liabilities are accrued when losses are rated "probable" and the amounts involved may be measured on a sufficiently reliable basis. Contingent liabilities rated "possible losses" are disclosed in notes and contingent liabilities rated "remote" losses are not accrued or disclosed; and legal obligations are recorded as payables.

2.16 Other assets and liabilities (current and non-current)

An asset is recognized on balance sheet if it will probably generate future economic benefits for Comgás and its cost or value may be reliably measured. A liability is recognized on balance sheet if Comgás has a legal obligation or one arising from a past event, and it is probable that an outflow of funds will be required to settle it. The corresponding variations in monetary or foreign currency charges incurred are added, if applicable. Provisions are recorded based on best estimates of risks involved.

Assets and liabilities are classified as current if their realization or settlement is likely within 12 months. Otherwise, they are stated as noncurrent.

2.17 Current and deferred income tax and social contribution tax

Income tax and social contribution expenses for the period comprise current and deferred taxes. Income taxes are recognized in income statements except to the extent that they relate to items recognized directly in shareholder equity. In this case, tax is also recognized in shareholder equity.

Current income tax and social contribution charges are calculated based on tax laws enacted or substantially enacted as of balance sheet date. Management periodically reviews positions Comgás has taken for income tax declarations in relation to situations in which applicable tax regulations gives rise to differing interpretations. Provisions are made, when appropriate, based on estimated values of payments to tax authorities.

Deferred income tax and social contributions are recognized using the method of liability on temporary differences arising from differences between asset and liability tax bases and their carrying amounts in financial statements. Deferred income tax and social contribution are determined using tax rates (and tax legislation) enacted or substantially enacted as of balance sheet date, and must be applied if the corresponding deferred tax asset is realized or if the deferred tax liability is settled.

Deferred income tax and social contribution tax assets are recognized only in proportion to the probability that future taxable profit will be available against which temporary differences may be offset.

Deferred tax assets and liabilities are offset when there is a legally

enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities are related to income taxes charged by the same authority to the taxable entity or different taxable entities if there is intention to settle balances on a net basis.

2.18 Pension benefit obligations

(a) Post-employment benefits

Comgás offers the following post-employment benefits:

• Health care for former-employees and their dependents retired by May 31, 2000.After this date, only employees who have continuously paid social security (INSS) contributions for 20 years and worked for Congas uninterruptedly for 15 years by May 31, 2000 are entitled to this benefit, provided that are working for Comgás the on the date retirement pension is awarded.

• Supplementary (or private) pension arising from a defined contribution plan, by means of a free benefit generating plan (PGBL).

Balance sheet liability recognized in relation to post-employment benefits is calculated annually by independent actuaries.

The amount recognized in the balance in relation to liabilities under post-retirement benefit plans shows present value of obligations excluding non-recognized actuarial gains and losses. The cost of providing postemployment benefits is shown in the income statement for the periods benefiting from the services of the employee. Costs of current services are reflected in operating income, and financing costs are reflected in funding for costs in the period in which they occur. In accordance with the "corridor" approach, actuarial gains or losses that exceeding 10% of plan obligations are spread over the average remaining working life of employees participating in the plan and reflected in operating income.

(b) Profit sharing

Comgás recognizes profit-sharing liabilities and expenses based on a formula that takes into account several targets as well as profit attributable to Comgás shareholders after certain adjustments have been made. Comgás recognizes a provision where contractually obliged or where there is a past practice that created a constructive obligation.

2.19 Leases - rental contract

Leases in which a significant portion of risks and benefits of ownership are retained by the lessor are classified as operational leases. Payments made for operating leases (net of any incentives received from the lessor) are recognized in income statements using the straight-line method throughout the lease term.

2.20 Dividends and interest on shareholder equity

Based on Comgás bylaws, distributions of dividends and interest on shareholder equity to Comgás shareholders are recognized as liabilities in year-end

financial statements. Any values in excess of the minimum required are not accrued until the date on which they are approved in accordance with bylaws.

Tax benefit arising from interest paid on shareholder equity is recognized directly in earnings statements.

2.21 Share Capital

Common shares and preferred shares are classified in shareholder equity.

2.22 Recognition of revenues

Revenues comprise the fair value of consideration received or receivable for distribution of gas in the ordinary course of Comgás business. Revenues are shown net of taxes, rebates and discounts.

Comgás recognizes revenue if its value may be reliably measured, it is probable that there will be future inflows of funds for the entity and specific criteria have been met for every Comgás business, as described below. Comgás bases its estimates on historical results, taking into consideration customer type, transaction and specifications.

(a) Revenue from services - invoiced

Revenue from provision of gas distribution services is recognized if its value may be measured reliably, and is recognized in earnings in the same period in which volumes are delivered to customers.

(b) Revenue from services -not invoiced

Non-invoiced revenue refers to the portion of gas supplied for which measurement and customer invoicing has not yet occurred, as described in Note 10. This is calculated based on an estimate for the period from monthly measurement through the last day of the month. The actual volume charged may differ from the estimate. Comgás believes that based on past experience with similar operations, non-invoiced value does not differ significantly from actual values invoiced.

(c) Revenue from construction - ICPC 01

Revenues from contracts for construction services are recognized in accordance with CPC 17 - "Construction Contracts". Contract costs are recognized in earnings statements as cost of services provided, as they are incurred.

The concession authority has not set a margin for this service and management does not see building as a source of revenue or earnings.

(d) Financial income

Financial income is recognized in proportion to the period elapsed, using the effective interest method.

As time passes, interest is accrued to accounts receivable against financial income.

3. RULES, ALTERATIONS AND INTERPRETATIONS OF RULES NOT YET IN FORCE

Pronouncements, guidelines and/or interpretations of CPCs not approved and not yet in force

Topic	Key requirements
CPC 42 - "Accounting and Disclosure in High Inflation Economy"	Pending IASB assessment, but, even when approved, will not have impacts for Comgás since by adopting CPC 37 (IFRS 01) - Initial Adoption, we are already applying the latter and making the necessary adjustment as per Note 34 item c (vii).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Based on certain premises, Comgás makes estimates in relation to the future. By definition, the resulting accounting estimates will seldom be the same as the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below.

(a) Impairment of receivables

Provision for doubtful debts is made when there is objective evidence that Comgás will be unable to receive all amounts due under the terms of the original credit.

Comgás runs individual analyses of significant debtors and others on a combined basis, and a provision is recorded if there is evidence that Comgás may not receive the outstanding amount.

(b) Provisions

Provisions are recognized in the period when it becomes probable that there will be a future outflow of earnings from past operations or events that may be reasonably estimated. The correct time for recognition requires application of judgment to existing facts and circumstances, which may be subject to alterations.

Provisions are recognized: for present legal or constructive obligations arising as consequences of past events where it is probable that an outflow of funds will be necessary to settle the obligation and its value has been reliably estimated.

Provisions are measured at present value of expenses that are likely to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of the amount and risks specific to the obligation. The added obligation due to the passing of time is recognized as financial expense.

Despite the possibility of results outside the limits expected in recent years, Comgás found that estimates made to determine the appropriate level of provisions have in fact been materially adequate as predictors of actual results.

(c) Income tax, social contribution and other taxes

Comgás is subject to income tax. Significant judgment is required in determining provision for income taxes. In many cases, the ultimate determination of this tax is uncertain. Comgás also recognizes provisions for situations in which additional amounts of taxes may be due. Where the final outcome of these matters is different from amounts initially recorded, differences impact current and deferred income tax assets and liabilities in the period in which the definitive amount is determined.

(d) Fair value of derivatives and other financial instruments

Comgás has no financial instruments not being traded on active markets. Comgás uses best practices to choose and define methods and assumptions that are mainly based on existing market conditions as of balance sheet date. Comgás holds no financial assets available for sale for which there is no trading in active markets.

(e) Pension plan benefits

The present value of pension-plan obligations depends on a number of factors determined on the basis of actuarial calculations, which rely on a series of assumptions. One of the assumptions used in determining net cost (revenue) for pension plans is the discount rate. Any alterations in these assumptions will affect the carrying value of pension plan obligations.

Comgás determines the appropriate discount rate at the end of each year. This is the interest rate to be used to determine present value of estimated future cash outflows, which is likely to be required to settle pension plan obligations. In determining the appropriate discount rate, Comgás considers the interest rates of high-quality corporate bonds held in the currency in which benefits are paid and for which maturity approximates pension plan obligation periods.

Other important premises for pension plan obligations are based in part on current market conditions. Additional information is disclosed in Note 26.

(f) Non-invoiced revenues

As mentioned in Note 2.22 - Recognition of revenues – item b - non-invoiced revenue refers to part of gas that has been supplied but not yet measured or invoiced to customers.

5. FINANCIAL RISK MANAGEMENT

(a) Principal risks associated with Comgás' financial strategy

Policy for risk management and use of derivatives

Comgás treasury policy is approved and periodically reviewed by the board of directors to determine the pattern and purpose of financial transactions in Comgás. In addition, this policy determines methodology for evaluating counterpart credit risk (foreign currency exchange, derivatives, liquidity applications, and guarantees) and stipulates which financial instruments may be allowed.

Management of risks associated with financial transactions is governed by treasury policy and strategies defined by Comgás officers. This set of rules sets guidelines for managing risk and its measurement as well as consequent mitigation of market risks, cash flow forecasting, and setting exposure limits. For this purpose, all financial transactions must be the best possible alternatives both financially and economically and never be made for speculative purposes, thus in all cases the reasons for these transactions must be stated.

To ensure better cash management, Comgás management follows the internal policy of maintaining lines for management of working capital and for investments in line with future cash flow projections, estimates of which show no significant differences in relation to cash held due to the stability of Comgás' business. Estimated future cash flows are predictable and their measurement is reliable.

As part of its operations, Comgás is exposed to risks arising from fluctuating interest rates and exchange rates, and it uses derivative financial instruments to manage this kind of exposure, in accordance with treasury policies. Forward currency exchange contracts and currency swaps are used to reduce risks of certain foreign currency cash flows and manage foreign currency included in its assets and liabilities. Some contracts combine both foreign-currency and interest-rate swap transactions.

When there is sufficient liquidity in the financial market, Comgás uses derivative transactions for exactly the same amounts and periods as the cash flows of its exposures being traded, while analyzing the best alternative in all cases and following the above-mentioned risk management policy in relation to minimum percentage of hedging to be obtained, which is 75% of notional value for amounts of over US$ 500,000.

Comgás calculates the fair value of interest rate and exchange rate variation using market valuations, if available, or, if not available, by discounting all future cash flows based on the market's yield curve on balance sheet date.

(b) Capital management

Comgás manages its capital with the following objectives: to ensure its continuing ability to offer shareholder returns and other stakeholder benefits and to maintain an optimal capital structure to reduce this cost.

To maintain or adjust its capital structure, Comgás may revise dividend payment policy.

Comgás monitors capital based on the level of financial leverage, which involves shareholder equity and debt. This index (covenant), and others, is used by financial institutions in loan agreements. At the end of 2010, as in 2009, outcomes under these covenants were within parameters set in contractual agreements.

Our financial leverage was 98.40% on December 31, 2010 against 111.67% on December 31, 2009.

(c) Risks associated

(i) Interest rate risk

Comgás is exposed to interest rate risk in relation to its asset and liability positions. This risk may be hedged by using swaps, in which Comgás exchanges fixed for floating positions in BRL (percentage of CDI, or other floating rate in Brazilian reais).

(ii) Exchange-rate risk

Financial transactions contracted to finance investment and working capital may be geared to foreign currency rates. The risk arising from this possibility is loss and cash constraints due to fluctuating exchange rates, potentially raising the value of liabilities denominated in these currencies. Exposure from foreign currency funding is covered by financial hedging transactions, which enable Comgás to exchange these currency risks through swaps or forwards.

(iii) Credit risk

There is no concentration of credit in a major consumer that exceeds 10% of sales. This risk is represented by accounts receivable of Comgás' consumers in all segments, however it is mitigated by selling to a fragmented customer base.

On December 31, 2010, Comgás had the following financial instruments:

- Cash and near cash - as per Note 9.
- Accounts receivable - customers - as per Note 10.
- Loans and financing - as per Note 18.
- Derivatives - as per Note 19.

Comgás is active in the banking credit market and borrows in both local and foreign currency to finance its investments and working capital. It is therefore exposed to risk arising from varying exchange rates and interest rates.

Comgás treasury policy does not allow use of derivative instruments for speculative purposes, but only for hedging previously identified risks for which authorized instruments are swaps and forwards.

To cover foreign currency exposure and interest rate exposure on loan agreements, treasury policy is that foreign currency hedging must cover the principal and interest charges through final due date of the loan in at least 75% of total value (notional value).

If there is no currency swap available on the financial market to cover the full period, hedging must be provided for as long as possible.

(iv) Liquidity risk

Liquidity risk refers to mismatches in cash flow arising from difficulties in quickly disposing of an asset or obtaining funds, this affecting financial capacity.

Comgás is exposed to liquidity risk, including risks associated with refinancing loans and financing to the extent that their respective due dates approach, with the risk that credit lines may not be available to meet Comgás cash requirements and future commitments in addition to the risk

of financial assets not being easily be converted into funds without loss of value.

To mitigate this risk Comgás adopts two general guidelines:

Comgás' policy is to maintain interest rates for its creditors at floating rates in local currency. If these loans and financings are charged at rates other than the latter, Comgás will use derivative instruments.

Comgás manages liquidity risk by maintaining adequate lines of credit for its commitments and keeps its financial assets in short-term deposits with daily liquidity.

The table below shows non-derivative financial liabilities and derivative financial liabilities to be settled, according to due date term, corresponding to the period remaining from balance date through due date. Amounts shown in the table are non-discounted cash flows.

					2010
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Non-derivative financial instruments					
Derivatives used for hedging	457,987	798,436	642,769	219,285	2,118,477
Suppliers and other accounts payable	427,068	-	-	-	427,068
	885,055	**798,436**	**642,769**	**219,285**	**2,545,545**

					2009
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Non-derivative financial instruments					
Derivatives used as hedging	745,105	354,086	790,551	76,463	1,966,205
Suppliers and other accounts payable	416,790	-	-	-	416,790
	1,161,895	**354,086**	**790,551**	**76,463**	**2,382,995**

					2010
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Derivatives					
Derivatives used as hedging					
Outflows (Comgás)	100,815	51,958	138,840	194,898	486,511
Inflows (Comgás)	67,166	16,054	118,855	168,046	370,121

					2009
	Less than 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Derivatives					
Derivatives used as hedging					
Outflows (Comgás)	28,224	22,358	-	-	50,582
Inflows (Comgás)	13,852	11,849	-	-	25,701

(d) Foreign currency financing swaps

As specified in the item "Derivative financial instruments - as per Note 19," in practice the swaps convert a foreign currency liability to BRL liability geared to the CDI interbank rate - thus eliminating exposure to currency rates and interest rate (fixed or floating). Nominal value, rates and due dates on the asset sides of swaps are the same as those for financing. Swaps will be contracted in the OTC market and no deposit is required to guarantee the transaction.

Non-cash swaps are included. Details of the transaction are shown in the table below.

Comgás will hold them through maturity and recognize them in the short- and long-term financing group.

The criteria employed for determining, methods and assumptions used to obtain fair values refer to "active market - quoted price", in accordance with provisions agreed in contracts between the parties.

Values of derivatives are summarized below:

			Percentage		
Description	**Counterparty**	**Original currency**	**Asset**	**Liability**	**Expiry end**
BNDES - Basket I	Banco Votorantim	Currency basket	17.15 p.a.+VC	122 CDI	October 2011
BNDES - Basket II	Banco Votorantim	Currency basket	17.26 p.a.+VC	96.5 CDI	October 2011
IFC onlending Itaú BBA	Banco Itaú BBA	USD	9.88 p.a.+VC	110 CDI	December 2011
EIB II - 1. tranche	Various banks	USD	3.881 p.a.+VC	96.69 CDI	June 2020
EIB II - 2. tranche	Various banks	USD	2.936 p.a.+VC	95.20 CDI	September 2020

There are no significant differences between market and fair value for these instruments.

(e) Sensitivity analysis

Pursuant to CVM Instruction 475, Comgás developed sensitivity analysis to identify principal risk factors that may cause variations in its financial instruments, loans, financing and derivatives.

Sensitivity analyses make assumptions about future events. Settlement of transactions involving these estimates may lead to values other than those estimated herein due to the subjectivity inherent in the process of compiling these analyses.

These variations may impact Comgás future earnings and/or cash flows as shown below:

• Exposure scenarios for financial instruments indexed to the variable interest rate (interbank rate, or CDI) on the basis of yield curves determined December 31, 2010.

• The effects shown here refer to variations in income over the next 12 months.

•• Scenario I (probable) - interest and exchange rates remain at the same levels as December 31, 2010.

•• Scenario II - all risk factors deteriorate 25% in relation to levels of December 31, 2010.

•• Scenario III - all risk factors show 50% deterioration in relation to December 31, 2010.

Description	Risk	Scenario I (probable)	Scenario II 25%	Scenario III 50%
Regulatory current account (*)	SELIC rate variation	12,234	15,365	17,053
Foreign-currency debt				
Debt	US$ variation	-	(62,956)	(126,041)
Derivative (asset side)	US$ variation	-	62,100	125,075
Net effect		-	(856)	(966)
Derivative (liability end)	Interbank (CDI) variation	(99,036)	(104,780)	(111,424)
Debt in local currency				
Debt - interbank rate (CDI)	Interbank (CDI) variation	(17,010)	(19,757)	(22,540)
Debt at long-term rate (TJLP)	TJLP variation	(89,511)	(103,615)	(117,559)
SELIC		10.75	13.61	16.55
US$		1.666	2.083	2.499
CDI		10.64	13.47	16.38
TJLP		6.00	7.50	9.00

(*) Effects of the regulatory current account described in Note 6.

(f) Estimated fair value

The fair value of financial instruments not traded on an active market (for example, interest rate derivatives) is determined using valuation techniques. Comgás uses a variety of methods and makes assumptions based on market conditions on each balance sheet date.

As of January 1, 2009, Comgás adopted the amended CPC 40/IFRS 7 rules for financial instruments measured on balance sheet at fair value, which requires disclosure of fair value measurements at the level of the following hierarchy of measurement at fair value:

• Prices quoted (not adjusted) in active markets for identical assets or liabilities (level 1).

• Information in addition to the quoted prices included in Level 1 that are adopted by the market for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

• Inputs for assets or liabilities not based on data adopted by the market (i.e. unobservable inputs) (level 3).

The table below shows Comgás' assets and liabilities measured at fair value on December 31, 2010.

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used as hedging	-	252,726	-	252,726
Total assets	**-**	**252,726**	**-**	**252,726**
Liabilities				
Derivatives used as hedging	-	(299,106)	-	(299,106)
Total liabilities	**-**	**(299,106)**	**-**	**(299,106)**

The table below shows Comgás' assets and liabilities measured at fair value on December 31, 2009.

	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used as hedging	-	20,875	-	20,875
Total assets	**-**	**20,875**	**-**	**20,875**
Liabilities				
Derivatives used as hedging	-	(51,200)	-	(51,200)
Total liabilities	**-**	**(51,200)**	**-**	**(51,200)**

6. REGULATORY ASSETS (LIABILITIES)

Tariffs for the supply of gas to different customer segments have to be authorized by the regulator agency. Under the terms of the concession agreement, differences between the cost-of-gas component included in tariffs charged customers and the cost-of-gas actually incurred are calculated on a monthly basis and debited or credited to a regulatory account (regulatory current account).

Periodically, charges or credits are determined by the regulator in order to amortize the amount accumulated in this account.

	December 31	
	2010	**2009**
Cost of gas to be recovered/(passed on)	(220,778)	27,937
Tax credits to recover/(pass on)	(9,402)	1,476
Adjustment to present value - taxes	521	(64)
	(229,659)	29,349
Assets (liabilities) initial balance	29,349	528,289
Assets (liabilities) final balance	(229,659)	29,349
Revenue not recognized in income before IR/CS taxes	259,008	498,940
Regulatory assets (liabilities)	242,092	519,868
Update	5,173	(32,351)
Other	11,743	11,423

The balance of this account is considered an asset or a liability for income tax purposes depending on the regulator's chart of accounts. However, this account is excluded from financial statements prepared in accordance with accounting practices adopted in Brazil, because its balance is not considered as an asset or a liability, and its realization or settlement depends on new acquisitions of consumers by Comgás. Therefore, the balances shown above are not recognized in the financial statements submitted herein.

7. FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables	Assets at fair value through profit/loss	Derivatives used as hedging	Available for sale	Total
December 31, 2010					
Assets as per balance sheet					
Judicial deposits	13,510	-	-	-	13,510
Accounts receivable from customers and other receivables excluding prepayments	447,548	-	-	-	447,548
Cash and near cash	145,380	-	-	-	145,380
	606,438	**-**	**-**	**-**	**606,438**

	Liabilities at fair value through profit/loss	Derivative financial liabilities	Other financial liabilities	Total
December 31, 2010				
Liability as per balance sheet				
Loans	1,348,568	-	-	1,348,568
Derivatives	-	46,380	-	46,380
Debentures	-	-	104,805	104,805
	1,348,568	**46,380**	**104,805**	**1,499,753**

	Loans and receivables	Assets at fair value through profit/loss	Derivatives used as hedging	Available for sale	Total
December 31, 2009					
Assets as per balance sheet					
Judicial deposits	13,598	-	-	-	13,598
Accounts receivable from customers and other receivables excluding prepayments	485,024	-	-	-	485,024
Cash and near cash	194,273	-	-	-	194,273
	692,895	**-**	**-**	**-**	**692,895**

	Liabilities at fair value through profit/loss	Derivative financial liabilities	Other financial liabilities	Total
December 31, 2009				
Liability as per balance sheet				
Loans	1,515,755	-	-	1,515,755
Derivatives	-	30,325	-	30,325
Debentures	-	-	104,029	104,029
	1,515,755	**30,325**	**104,029**	**1,650,109**

8. CREDIT QUALITY OF FINANCIAL ASSETS

(a) Comgás has a portfolio of 988,000 customers in the following segments: residential, commercial, industrial, vehicle, cogeneration and thermal generation and there is no significant concentration in any customers, thus diluting default risk.

(b) Cash and near cash depending on counterparty creditworthiness.

	31 december 2010	31 december 2009	1 january 2009
Current account and short-term bank deposits (*)			
AAA	84,261	11,617	39,726
AA	51,116	176,914	-
A	10,003	5,742	-
	145,380	**194,273**	**39,726**

(*) Scale widely accepted by, and familiar to, the financial market with methodology reported by international risk rating agencies

9. CASH AND NEAR CASH

The balance of cash and near cash equivalent substantially consists of liquidity applications in CD (banking certificates of deposit), private securities and agribusiness credit notes (LCA). These instruments offer immediate liquidity provided by their issuing financial institution.

	31 december 2010	31 december 2009	1 january 2009
Cash and bank	5,459	11,617	27,225
Agribusiness credit notes (LCA)	35,187	17,142	-
Investments in private securities	104,734	20,098	-
Banking Certificate of Deposit (CD)	-	145,416	12,501
	145,380	**194,273**	**39,726**

10. ACCOUNTS RECEIVABLE - CUSTOMERS

(a) Breakdown of accounts receivable as follows:

	31 december 2010	31 december 2009	1 january 2009
Gas-bill receivables	195,575	192,414	182,140
Gas bills by installments	11,691	8,768	13,456
Debtors - sales of equipment	21,044	15,577	12,950
Adjusted to present value	(1,625)	(942)	(1,407)
Non-invoiced revenues	199,153	265,215	320,542
Provision for impairment of receivables	(55,820)	(50,688)	(36,760)
	370,018	**430,344**	**490,921**

Gas bills to be paid by installments refer to receivables from customers in arrears. Overdue cases showing realization risk are duly provisioned.

Non-invoiced revenue refers to part of gas supplied in the month that has not yet been measured and invoiced to customers.

(b) Losses recorded in the twelve months ended in 2010 and 2009 are shown below:

	2010	2009
January 1	**50,688**	**36,760**
Provision for impairment of receivables	5,132	17,319
Accounts receivable derecognized during the year as not collectable	-	(3,391)
December 31	**55,820**	**50,688**

Receivables are recorded at fair value and duly disclosed in financial statements.

(c) Summary of customer receivables by due date:

	31 december 2010	31 december 2009	1 january 2009
Values falling due	81,765	55,948	90,681
Overdue			
Up to 30 days	7,842	39,320	38,765
Over 30 days	105,968	97,146	52,964
	195,575	**192,414**	**182,140**

11. OTHER ACCOUNTS RECEIVABLE

	31 december 2010	31 december 2009	1 january 2009
"Take or pay" – Customers	3,777	3,919	4,540
Customer receivables from extension of pipeline network	1,170	1,170	1,179
Deposits	-	6,133	6,254
Amounts recoverable due to pipeline interventions	-	6,267	5,099
Recoverable from Petrobras	1,541	1,541	9,146
Other	4,226	4,013	7,090
	10,714	**23,043**	**33,308**

"Take or Pay" - customers amount refers to the difference between actual consumption and the minimum volumes contractually required.

The balances of "Deposits" and "Recoverable" due to intervention in the network were reclassified to "long-term assets".

Other receivables are recognized at fair value and duly disclosed in financial statements.

12. INVENTORIES

	31 december 2010	31 december 2009	1 january 2009
Gas/transport paid but not used (take/ship or pay) - Petrobras	78,143	39,605	2,938
Gas/transport paid but not used (take/ship or pay) - BG Comércio e Importação Ltda.	-	3,305	10,810
Inventories of materials for construction	52,875	47,520	47,353
Finished product	1,163	1,143	1,813
Misc. materials	27,970	19,632	19,426
	160,151	**111,205**	**82,340**

The recovery of amounts referring to of the "Gas/transport paid but not used" takes place automatically without onus for Comgás to the extent that gas and transport is used in excess of the percentage stipulated in the contracts, as disclosed in Note 20.

13. INDIRECT TAXES TO OFFSET

Tax to be offset breaks down as follows:

	31 december 2010	31 december 2009	1 january 2009
ICMS tax to be recovered	29,595	27,531	47,706
ICMS tax on assets	8,543	8,976	11,669
Adjusted to present value	(473)	(391)	(807)
Other	138	121	2,181
	37,803	**36,237**	**60,749**

14. ASSETS HELD FOR SALE

On September 24, 2010, management started negotiations to sell a site and buildings in the Mooca region, which were classified in current assets at cost adjusted for depreciation in the period in which the property was used by management through September 2008.

Management estimates that the property will be sold during the year ending December 31, 2011.

15. ICMS TAX TO BE RECOVERED

Corresponds to the portion of ICMS tax to be recovered on the purchase of assets amounting to R$ 9,481 (December 31, 2009 - R$ 9,674 and January 1, 2009 - R$ 9,859), adjusted to present value, and refers to credits arising from purchase of assets, which could be used to offset part of the ICMS payable in monthly installments over 48 months.

16. ACCOUNTS RECEIVABLE - LONG-TERM ASSETS

The breakdown of long-term receivables is shown below:

	31 december 2010	31 december 2009	1 january 2009
Deposits	7,747	-	-
Amounts recoverable due to pipeline interventions	7,834	-	-
Debtors - sales of equipment	6,573	3,299	3,775
Adjusted to present value	(444)	(176)	(319)
Other accounts receivable	-	869	869
	21,710	**3,992**	**4,325**

The balances of the “Deposits” and “Recoverable” accounts due to interventions in the pipeline network were reclassified from the current assets group.

Sum of deposits refers to amounts charged by public agencies for Comgás construction work. The net amount recoverable for pipeline interventions refers to amounts to be reimbursed by third parties that damaged the gas distribution network.

17. INTANGIBLE

	Balance january 1 2009	Movements			Balance december 31 2009
		Additions	Transfers	Writedown	
Intangibles in use					
Concession agreement	2,919,123	-	237,949	(8,023)	3,149,049
Accumulated amortization (ii)	(765,598)	(116,474)	-	4,748	(877,324)
	2,153,525	**(116,474)**	**237,949**	**(3,275)**	**2,271,725**
Customer loyalty	266,330	-	84,000	-	350,330
Accumulated amortization (i)	(135,314)	(42,507)	-	-	(177,821)
	131,016	**(42,507)**	**84,000**	**-**	**172,509**
Software and other	101,954	-	87,477	(24,369)	165,062
Accumulated amortization (i)	(38,568)	(43,544)	-	24,369	(57,743)
	63,386	**(43,544)**	**87,477**		**107,319**
Total intangibles in use	2,347,927	(202,525)	409,426	(3,275)	2,551,553
Intangibles in progress	297,339	409,235	(409,426)	-	297,148
Total intangibles	**2,645,266**	**206,710**	**-**	**(3,275)**	**2,848,701**

(i) Weighted average rate 20% p.a.
(ii) Weighted average rate shown in table below:

	Balance december 31 2009	Movements			Balance december 31 2010
		Additions	Transfers	Writedown	
Intangibles in use					
Concession agreement	3,149,049	435	194,306	(11,800)	3,331,990
Accumulated amortization (ii)	(877,324)	122,980	-	6,342	(993,962)
	2,271,725	**(122,545)**	**194,306**	**(5,458)**	**2,338,028**
Customer loyalty	350,330	(2,419)	102,819	-	450,730
Accumulated amortization (i)	(177,821)	(56,540)	-	-	(234,361)
	172,509	**(58,959)**	**102,819**	**-**	**216,369**
Software and other	165,062	-	24,633	-	189,695
Accumulated amortization (i)	(57,743)	(30,737)	-	-	(88,480)
	107,319	**(30,737)**	**24,633**	**-**	**101,215**
Total intangibles in use	2,551,553	(212,241)	321,758	(5,458)	2,655,612
Intangibles in progress	297,148	407,077	(321,758)	-	382,467
Total intangibles	**2,848,701**	**194,836**	**-**	**(5,458)**	**3,038,079**

As a result of adopting the ICPC 01 interpretation on January 1, 2009, Comgás reclassified fixed assets related to the concession agreement, disclosed in Note 2.11 (item a) to "Intangible". These assets comprised the following as of December 31, 2010 and 2009:

Net carrying amount	Weighted average rate p.a.%	January 1 2009	Movement			December 31 2009
			Adttions/ Transfers	Amortizations	Writedown	
Intangibles	20	2,070	(2,050	-	(20)	-
Sites	-	12,500	-	-	(80)	12,420
Piping	3.4	1,732,538	174,004	(82,084)	(647)	1,823,811
Buildings and fixtures	2.7	48,469	2,704	(1,500)	-	49,673
Machinery and equipment	5.4	309,616	68,830	(21,559)	(1,813)	355,074
Transport equipment	20	10,560	5,111	(3,391	(704)	11,576
Administrative equipment and furniture	10	37,772	(10,650)	(7,940)	(11)	19,171
		2,153,525	**237,949**	**(116,474**	**(3,275)**	**2,271,725**

Net carrying amount	Weighted average rate p.a.%	December 31 2009	Movement			December 31 2010
			Adttions/ Transfers	Amortizations	Writedown	
Intangibles	20	-	-	-	-	-
Sites	-	12,420	8,155	-	(1,450)	19,125
Piping	3.4	1,823,811	145,895	(84,599)	(1,302)	1,883,805
Buildings and fixtures	2.7	49,673	6,205	(1,568)	(297)	54,013
Machinery and equipment	5.4	355,074	23,719	(23,177)	(1,470)	354,146
Transport equipment	20	11,576	2,085	(3,581)	(249)	9,831
Administrative equipment and furniture	10	19,171	8,682	(10,055)	(690)	17,108
		2,271,725	**194,741**	**(122,980)**	**(5,458)**	**2,338,028**

The amounts recognized in "Intangible" and shown above are shown at cost value of assets built or purchased to provide concession services net of amortization.

Amortization, calculated on estimated working lives of built assets in accordance with the concession agreement and part of the calculation basis for the services tariff, totaled R$ 122,980 and was duly appropriated to earnings for the year ended December 31, 2010 (December 31, 2009 - R$ 116,474).

Income tax and social contribution payable by the balance of the revaluation, the depreciation is not deductible for purposes of calculating the taxable profit amounted to R$ 6,768 on December 31, 2010 (R$ 7,460 on December 31, 2009). The net amount relating to realization of revaluation reserve is not included in the calculation base for dividend distribution.

During the year ended December 31, 2010, Comgás capitalized the amount of R$ 21,753 (December 31, 2009 - R$ 9,697) relating to interest on borrowings used to build these assets.

18. LOANS AND FINANCING

		December 31 2010		December 31 2009		January 1 2009	
	Charges - %	**Current**	**Noncurrent**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
In national currency							
BNDES (Project II)	TJLP + 4.0 p.a.	19,097	-	23,000	19,017	23,069	41,787
BNDES (Project III)	TJLP + 4.0 p.a.	38,645	47,849	39,084	85,852	39,200	123,981
BNDES (Project IV) - Direct	TJLP + 3.2 p.a.	38,383	113,372	38,532	151,162	38,634	188,725
BNDES (Project IV) - Direct w/ deposit	TJLP + 2.8 p.a.	92,554	273,552	88,265	369,337	21,568	400,200
BNDES (Project III) - Bco. Votorantim	TJLP + 4.7 p.a.	15,825	19,582	16,009	35,134	16,061	50,739
BNDES (Project III) - Bco. Bradesco	TJLP + 4.7 p.a.	15,825	19,582	16,009	35,134	16,061	50,739
BNDES (Project V)	TJLP + 2.8 p.a.	27,302	321,502	653	165,149	-	-
BNDES (PEC)	TJLP + 5.5 p.a	29,468	23,313	5,100	45,833	-	-
Working capital	107.69 of CDI	-	-	360,692	-	252,575	-
		277,099	**818,752**	**587,344**	**906,618**	**407,168**	**856,171**
In foreign currency (*)							
BNDES (Currency Basket)	12.67 p.a.	4,667		6,333	4,781	9,054	13,739
Banco Itaú/BBA-(IFC onlending) - USD	8.11 p.a.	4,928		5,623	5,056	7,906	13,074
EIB II - first tranche - USD	3.88 p.a.	5,557	129,814				
EIB II - second tranche - USD	2.94 p.a.	1,883	57,540				
HSBC - USD	2.03 p.a.	48,328					
European Investment Bank - USD	6.82 p.a.					93,926	
Working capital with swap - USD	5.00 p.a.					58,857	
		65,363	**187,354**	**11,956**	**9,837**	**169,743**	**26,813**
		342,462	**1,006,106**	**599,300**	**916,455**	**576,911**	**882,984**

(*) As disclosed in Note 5, derivative financial instruments are used to hedge all loans in foreign currency against any exchange-rate fluctuations.

Non-current amounts composed as follows by year of expiry:

	2010
2012	281,872
2013	207,014
2014	198,211
2015	85,610
2016 onwards	233,399
	1,006,106

The fair value of loans and financings, current and noncurrent, are the same as their book values, since the impact of the discount between their contractual and renegotiation rates is not significant.

There were no breaches or violations of contractual agreements with creditors during the year.

Original rates before swap transactions, loans and financing in foreign currency:

Description	Charges
BNDES (Project II) - Currency Basket (Votorantim swap)	Exchange-rate variation + 12.67% p.a. on portion in Currency basket
Banco Itaú/BBA-(IFC onlending)	Exchange rate variation + 8.11% p.a.
Bank EIB (II) 1. tranche	Exchange rate variation + 3.88% p.a.
Bank EIB (II) 2. tranche	Exchange rate variation + 2.94% p.a.

Repayments of principal and interest on BNDES loans are due monthly, except in grace periods. Guarantees offered for these loans:

• Project II - Comgás receivables - custodian Banco Itaú.

• Project III - Comgás receivables - custodian Banco Bradesco.

• Project IV - transaction directly with BNDES: Comgás receivables - custodian Banco Itaú. Transaction directly with BNDES: Bank surety from Banco Itaú, Banco Votorantim, Banco Bradesco and Banco Santander, 25% each.

• Project V - transaction indirectly with BNDES: Banking surety from Banco Itaú BBA with 100% financing guaranteed.

Loan from Banco Itaú/BBA (onlending from the International Finance Corporation [IFC]) with amortization of principal and interest due every six months.

In the year ended December 31, 2010, Comgás disbursed all its € 100 million under the loan agreement signed with the EIB. The second tranche totaled the equivalent of R$ 69,580 (US$ 39,922) thousand. This financing is backed by banking guarantees issued by Banco Santander and Banco Espirito Santo (BES), each for 50%. The financing period is ten years and funding is to be used for expansion, modernization and strengthening of the piped gas distribution network and other investments to support Comgás operations in 2010, 2011 and first-half 2012.

19. DERIVATIVES

Values recognized for derivative financial instruments:

		December 31 2010	December 31 2009	January 1 2009
In foreign currency	**Charges - %**	**Current**	**Current**	**Current**
BNDES (Currency Basket)	113 of CDI	6,900	14,131	16,277
Banco Itaú/BBA-(IFC onlending)	110.0 of CDI	8,836	16,194	18,168
EIB II - first tranche	96.69 of CDI	18,441	-	-
EIB II - second tranche	95.20 of CDI	9,616	-	-
HSBC	99.70 of CDI	2,486	-	-
NDF	-	101	-	-
EIB	94.7 of CDI	-	-	(17,134)
Compror Unibanco	130.5 of CDI	-	-	994
		46,380	**30,325**	**18,305**

	2010		2009		2008	
	Asset	**Liability**	**Asset**	**Liability**	**Asset**	**Liability**
BNDES (Currency Basket)	4,179	(11,080)	10,196	(24,327)	21,180	(37,458)
Banco Itaú/BBA-(IFC onlending)	4,928	(13,764)	10,679	(26,873)	20,983	(39,151)
EIB II - first tranche	135,121	(153,561)	-	-	-	-
EIB II - second tranche	60,386	(70,002)	-	-	-	-
HSBC	48,112	(50,598)	-	-	-	-
NDF	-	(101)	-	-	-	-
European Investment Bank	-	-	-	-	93,970	(76,836)
Working capital with swap	-	-	-	-	58,077	(59,070)
	252,726	**(299,106)**	**20,875**	**(51,200)**	**194,210**	**(212,515)**

As mentioned in "management of financial risks" (Note 5), Comgás is exposed to interest rate and currency risk. All the derivative instruments are designated as hedges in accordance with Comgás risk management policies.

Due to the highly volatile exchange rate of the Brazilian real (BRL) against the US dollar (USD), Comgás does not adopt hedge accounting for its derivative instruments (swaps). All derivative instruments (swaps) are measured at fair value and the loans underlying the derivatives.

Management believes that in the calculation made, based on risk analysis and characteristics of the exposures mapped and instruments contracted to mitigate risks as of 31 December, 2010, results from derivative transactions will be substantially offset by corresponding variations in the hedged items. Therefore, management believes that the derivative instruments contracted do not expose Comgás to significant risks that may cause material losses arising from foreign-currency, interest-rate, or other variations.

20. DEBENTURES

	Issue	Series	Quantity	December 31 2010	December 31 2009	January 1 2009	Return %
Current	Second	One only	1	4,805	4,029	6,070	CDI + 1.5% p.a.
Noncurrent	Second	One only	1	100,000	100,000	100,000	CDI + 1.5% p.a.
				104,805	**104,029**	**106,070**	

On August 5, 2008, Comgás concluded its issue of R$ 100,000 of indivisible, non-convertible debentures.

Principal to be amortized in three payments, 33.33%, 33.33% and 33.34%, due in August 2012, August 2013 and August 2014. Interest charges will be paid annually without renegotiation. In August 2010, the second payment of interest was made in the amount of R$ 10,557.

The debenture's fair value, as noted in relation to measurement of loans and financing above, will be the same as its carrying amount, since the impact of the discount given between its contracting and renegotiation rates is insignificant.

21. SUPPLIERS

The "Suppliers" account is broken down as follows:

	December 31 2010	December 31 2009	January 1 2009
Suppliers of gas/transportation	349,870	327,647	577,045
Suppliers of materials/services	74,235	80,697	68,615
	424,105	**408,344**	**645,660**

Comgás has contracts to supply natural gas under the following conditions:

• "Firm" type contract with Petrobras, from January 2008 through December 2013, daily amount contracted 4.15 million cubic meters per day.

• The Petrobras "firm" contract ends June 2019, and the current daily quantity of Bolivian gas contracted is 8.75 million m³/day, to be reduced to 8.1 million m³/day in May, 2011.

• Petrobras "firm flexible" contract, under which Petrobras will supply natural gas or reimburse the additional cost incurred for consumption of alternative fuel by the customer under this type of contract; the quantity of natural gas contracted is 1.0 million m³/day. Inception January 2008; duration through December 2012.

• Petrobras contract of interruptible supply of gas with initial contracted quantity zero, which may reach 1.5 mn m³/day. Inception January 2008; duration through December 2011.

• Two contracts to supply Petrobras with gas under the Thermoelectric Priority Program (PPT), for 3.06 million m³/day, of which 2.76 million m³/day is for the UTE-Fernando Gasparian plant and 0.3 million m³/day for Corn Products.

• Short-term contract with Petrobras via electronic auction in which Comgás ordered 3.0 mn m³/day for the period from December 2010 through March 2011.

• Weekly gas purchase/sale contract (very short term) with Petrobras for the period from December 2010 through March 2011, under which Comgás may purchase gas

through the electronic platform; the daily amount contracted varies as orders from Comgás are accepted by Petrobras.

• "Firm" contract with Gas Brasiliano for quantity of up to 12 million m³/year starting April 2008 through November 2012.

• Firm contract for natural gas purchase/sale with BG Comércio e Importação Ltda., - daily quantity contracted 0.650 mn m³/day through May 31 2011, terminated on August 31, 2010.

Specific characteristics of gas supply contracts include Comgás taking minimum quantities of gas ("take or pay" for a commodity and "ship or pay" for transportation), therefore if Comgás consumes less than its contractual obligations, it must pay any difference between consumption and minimum contractual volume but may offset the latter (through consumption) in the duration of the contract. The amounts paid were recognized under "Inventories" in the line item "Transport paid but not used" (Note 11).

Prices of gas-supply contracts comprise two components: one is pegged to a basket of fuel oils in the international market and adjusted quarterly; and the other is adjusted annually based on local and/or US inflation. Cost of gas is charged in R$/m³. Bolivian gas is calculated in US$/mn BTU, with monthly adjustments for exchange rate variations.

22. RELATED PARTIES

(a) Controlling companies

O saldo a pagar referente a Companhias Controladoras em 31 de dezembro de 2010 é o seguinte:

	January 1 2009	December 31 2009	Movimentação Expenses/ updates	Movimentação Payments	December 31 2010
BG Group - OSA/CSA	9,885	8,177	(1,860)	(6,154)	163
	9,885	**8,177**	**(1,860)**	**(6,154)**	**163**
Shell Group - CSA	709	1,461	4,432	(4,884)	1,009
	709	**1,461**	**4,432**	**(4,884)**	**1,009**
	10,594	**9,638**	**2,572**	**(11,038)**	**1,172**

Contracts are divided as follows:

(i) BG Group

• Operational Services Agreement (OSA) - BG provides operational staff and services in order to maintain, operate and develop Comgás operations securely and efficiently within the regulatory framework, and to expand them where appropriate.

• Commercial Services Agreement (CSA) - BG provides commercial staff and services in order to provide administrative support for the management of Comgás business.

• Contract for purchase of natural gas - BG Comércio e Importação Ltda.: in relation to gas supply contracts with BG Comércio e Importação Ltda., as described in Note 21, we have:

	Balance on January 1 2009	Balance on December 31 2009	Balance on December 31 2010	Cost of gás 2009	Cost of gás 2010
BG Comércio Gas supply	31.620	19.689	-	239.127	169.860
	31.620	**19.689**	**-**	**239.127**	**169.860**

(ii) Shell Group

• Commercial services agreement (CSA) - Shell provides commercial staff and services as administrative support for Comgás business management.

(b) Director and officer compensation

Compensation shown below is for the members of management responsible for planning, directing and controlling the Company's activities, including members of the board of directors and statutory officers:

	2010	2009
Salaries and other short term benefits	9,998	9,197
	9,998	**9,197**

23. INCOME TAX AND SOCIAL CONTRIBUTION

(a) Current income tax and social contribution

Reconciliation between income tax and social contribution expense at nominal and actual rates stated as follows:

	2010	2009
Income before income tax/social sec. (IR/CS)	837,236	979,637
Reversal interest on shareholder equity	(62,391)	(68,498)
Profit before tax	774,845	911,139
Amortization of goodwill premium, net of allowance for integrity of stockholder equity	-	24,370
Profit before amortization of premium	774,845	935,509
Rate - %	34	34
Nominal income tax and social contribution	(263,447)	(318,073)
Conciliation		
Benefits generated by reverse merger net of deferred tax assets/liabilities	-	24,370
Ongoing Income tax and social contribution (IRPJ and CSLL) debits/credits	6,191	4,460
	(257,256)	**(289,243)**

Comgás opted for the Transition Tax Regime (RTT) introduced by MP 449/08, under which income taxes on net income and PIS and COFINS contributions for the biennium 2008-2009 continue to be determined using the methods and criteria stipulated by

Law 6404 of December 15, 1976 that were in force on December 31, 2007. Comgás will be taxed under this option in its 2010 tax declaration (local acronym DIPJ).

(b) Deferred Income tax and social contribution

Changes in deferred income tax assets and liabilities during the year, without taking offsetting balances into account were as follows:

	Pension benefit obligation	Provisions	Losses fair value	Assets/ (liabilities) regulatory	Other	Total
Deferred tax assets						
January 1, 2009	**39,994**	**22,188**	**4,447**	**179,498**	**(27,535)**	**218,592**
Charged (credited) to income statement	2,210	9,657	(1,884)	(169,519)	3,370	(156,166)
December 31, 2009	**42,204**	**31,845**	**2,563**	**9,979**	**(24,165)**	**62,426**
(Credited) charged to income statement	3,327	6,278	15,973	(88,063)	1,935	(60,550)
December 31, 2010	**45,531**	**38,123**	**18,536**	**(78,084)**	**(22,230)**	**1,876**

	Balance of revaluation reserve	Fair value gains	Revaluation of property/sites	Other	Total
Deferred tax liability					
January 1, 2009	**5,136**	**1,226**	**3,001**	**536**	**9,899**
Charged (credited) to income statement	(703)			(536)	(1,239)
December 31, 2009	**4,433**	**1,226**	**3,001**	**-**	**8,660**
Charged (credited) to income statement	(692)	17,735	-	-	17,043
December 31, 2010	**3,741**	**18,961**	**3,001**	**-**	**25,703**

The credit related to provision of the post-employment benefit plan is for an estimated financial realization period of 25-30 years, and deferred tax on temporary differences is for an estimated period of three years.

24. CONTINGENCY PROVISION

	January 1 2009	December 31 2009	Updates/ inflows	Writedowns	December 31 2010
Labor-court claims	12,511	12,516	731	(2,131)	11,116
Civil-law	15,932	17,347	14,568	(1,357)	30,558
Tax	10,613	11,171	8,599	-	19,770
	39,056	**41,034**	**23,898**	**(3,488)**	**61,444**

(a) Labor claims mostly originate from the period before the signing of the concession agreement by the current controllers of Comgás, and refer to claims involving salary differences, overtime, additional pay for dangerous and unsanitary conditions, and joint liability, among others. On December 31, 2010, there were other processes of a similar nature amounting to R$ 1,317 (December 31. 2009 - R$ 1,679, and January 1, 2009 - R$ 1,027), assessed as possible losses by legal advisors; no provision was made.

(b) Civil-law cases arise in the normal course of the Company's business, involving claims for damages and losses due to accidents occurring around the pipeline network. On December 31, 2010, there are other claims of a similar nature amounting to R$ 63,650 (December 31, 2009 - R $ 43,962 and January 1, 2009 - R$ 14,554), which management and legal advisors rated as possible losses and therefore no provision was made.

(c) Tax contingencies relate to tax assessments from prior years. On December 31, 2010, there were tax cases totaling R $ 63,770 (December 31, 2009 - R$ 38,127 and January 1, 2009 - R $ 30,723), which legal advisors and management rated as possible losses and therefore no provision was made.

Based on advice from its legal advisors, Comgás management believes that provision made is sufficient to cover any disbursements arising from unfavorable outcomes of these cases.

25. STOCKHOLDERS' EQUITY

(a) Share Capital

The Company's authorized capital is R$ 671,672. On December 31, 2010, share capital stock was R$ 636,985 (R$ 636,863 on December 31, 2009 and R$ 326,570 on January 1, 2009), represented by 93,910,898 common shares without par value and 25,911,899 preferred shares without par value, broken down as follows:

Number of shares - millions

	Commom	Percentage	Preferred	Percentage	Total	Percentage
Shareholders						
Integral Investments BV	82,521	87.87	3,649	14.08	86,170	71.91
MCAP POLAND Fundo Inv. em ações [equity fund]	889	0.95	8,102	31.27	8,991	7.50
Shell Brazil Holding BV	7,594	8.09		0.00	7,594	6.34
TARPON	1,654	1.76	4,537	17.51	6,191	5.17
Other	1,253	1.33	9,624	37.14	10,877	9.08
	93,911	**100.00**	**25,912**	**100.00**	**119,823**	**100.00**

(b) Dividends

Pursuant articles of association (Article 36), shareholders are assured a minimum obligatory dividend of 25% of net income for the period, adjusted in accordance with corporate law.

Comgás articles of association (article 46) also state that the board of directors may approve payment of, or credit of, interest on shareholder equity, to be approved by annual general meetings when reviewing financial statements for the fiscal year in which such interest is paid or credited, which may or may not be attributed to mandatory dividends at the discretion of the company's board of directors, as authorized under the applicable legislation.

According to the minutes of the board of directors dated February 23, 2010, ratified by the annual general and extraordinary meeting of March 29, 2010, it decided to allocate R$ 28,101 retained in revenue reserves on December 31, 2009 for the distribution of dividends in 2010.

This was to be a lump sum payment made by Comgás on May 31, 2010, within the fiscal year.

Additionally, as decided by the board of directors on April 26, 2010, Comgás paid dividends in relation to prior year earnings amounting to R$ 286,898.

The payment of this amount was made within fiscal year 2010 in three installments as follows:

- Installment 1, R$ 76,898, paid on June 30, 2010.

- Installment 2, R$ 110,000, paid on August 31, 2010.

- Installment 3, R$ 100,000, paid on November 30, 2010.

Additionally, as per the minutes of the board of directors meeting held on October 25, 2010 it was decided to allocate R$ 50,000 retained income reserves of December 31, 2009 to a lump-sum payment of interim dividends, which was paid by Comgás on December 17, 2010, within the fiscal year.

Dividends	
Profit available for distribution on December 31, 2010	579,980
Changes in retained earnings	1,175
	581,155
Transfer to legal reserve (5%)	29,058
Calculation base for dividends	552,097
Minimum dividends 2010	138,024
Interest on shareholder equity - gross	(62,391)
Income tax on interest on shareholder equity	8,063
Interest on shareholder equity - net	(54,328)
Total dividends to be paid out in December 2010	83,696
Dividends - common shares	64,208
Dividends - preferred shares	17,716
Additional 10% - preferred shares	1,772
Total dividends to be paid out in December 2010	**83,696**

(c) Interest on shareholder equity

On July 1, 2010, the board approved distribution of interest on shareholder equity for the year 2010 in the amount of R$ 34,421, which was paid on July 30, 2010.

On August 26, 2010, the board of directors approved the second payment of interest on shareholder equity for the year 2010, in the amount of R$ 9,506, paid on September 30, 2010.

On October 25, 2010, the board of directors approved the third payment of interest on shareholder equity for year 2010, amounting to R$ 9,506, which was paid on November 30, 2010.

On December 16, 2010, the board of directors approved the fourth and final payment of interest on capital for the year 2010, in the amount of R$ 8,958, to be paid on January 31, 2011.

Interest on shareholder equity that is paid to shareholders must be imputed to the mandatory minimum dividends to be paid in 2011 for the fiscal year 2010, and these values must be added to the amount of dividends to be distributed by Comgás for all purposes stipulated in corporate law.

To comply with corporate reporting requirements, interest on capital was recorded as "Interest expense", and reversed in the same line for retained earnings since it is essentially a distribution of profits, as recommended by the CVM and CPC - Basic Concept.

(d) Capital reserve to be paid up

The minutes of the board of directors of February 23, 2010, ratified by the annual general meeting of March 29, 2010, deliberated on the use of this amount as follows:

• R$ 24,247 was transferred to the controlling shareholder in August 2010, as final redemption of class B preferred shares.

• R$ 122 was used to increase share capital.

These amounts were recognized in the Current Liabilities and Share Capital groups respectively in March 2010.

(e) Use of the balance of earnings for the year

The retained earnings reserve refers to retention of the remaining balance of net income based on the management's proposal in order to meet Comgás growth project targets set out in the capital budget to be approved by the board of directors and submitted to the general meeting.

26. PENSION BENEFIT OBLIGATIONS

Obligations relating to post-employment benefit plans which include healthcare and early retirement incentives, and sickness and disability assistance, are recognized pursuant to CVM Resolution 600. As stated in the actuarial report dated December 31, 2010, we use the following assumptions:

	December 31 2010	December 31 2009	January 1 2009
Discount rate	10.75	11.25	13.14
Inflation	4.5	4.5	5
Expected return on plan assets	10.75	11.25	13.14
Future salary increases	7.65	7.65	8.15
Increases in future pension	4.5	4.5	5
Aging factor	3	3	3
Mortality (by gender)	AT-83	AT-83	AT-83
Mortality of invalids	IAPB-57	IAPB-57	IAPB-57
Invalidity date (modified)	UP-84	UP-84	Mercer Invalidity table
Turnover	0.3/ (Length of service + 1)	0.3/ (Length of service + 1)	0.3/ (Length of service + 1)

Actuarial gains and losses recognized corresponds to the portion of gain or loss exceeding 10% of present value of actuarial liabilities or 10% of fair value of plan assets - whichever is greater - amortized over the average period of future service of plan members.

The balance of the actuarial liabilities breaks down as follows:

	December 31 2010	December 31 2009	January 1 2009
Value of actuarial liabilities	191,739	162,012	136,288
Unrecognized actuarial loss	(44,698)	(26,464)	(10,040)
Fair value of plan assets	(13,125)	(11,419)	(8,619)
Net actuarial liabilities	**133,916**	**124,129**	**117,629**

Changes in actuarial liabilities for the year ended December 31, 2010 is as follows:

	December 31 2010	December 31 2009	January 1 2009
Net actuarial liabilities	124,129	117,629	111,026
Expenses in the period	18,203	16,414	16,029
Employer contributions	(8,416)	(9,914)	(9,426)
Net actuarial liabilities	**133,916**	**124,129**	**117,629**

Costs recognized in income for the year ended December 31 are shown below:

	2010	2009
Current gross servicing cost (with interest)	460	397
Interest on actuarial liabilities	17,655	17,315
Expected return on plan assets	(1,388)	(1,216)
Amortization of actuarial losses	1,476	(82)
Expenses in the period	**18,203**	**16,414**

Tax effects arising from this provision are recognized in the deferred income tax and social contribution (IRPJ and CSLL) line, as Long-term receivables (see Note 23).

With Itaú Previdência e Seguros SA., Comgás maintains a Free Benefit Generator Plan (PGBL), an open supplementary pension plan structured under the financial system of "capitalization" with variable contributions, approved by the State of São Paulo Private Insurance Superintendence (SUSEP). Comgás' share of contributions in year 2010 was R$ 4,073 (R$ 3,972 in year 2009), recognized in the income statement for the year under "General and administrative expenses." This fixed-income plan aims to provide pension benefits in the form of monthly income for life.

27. SEGMENTAL ANALYSIS

The composition of the margin by segment is as follows:

Segment	Residential	Commercial	Industrial	Thermo generation
Volume m³ thousand (unaudited)	162,849	101,169	3,688,066	307,620
Gross revenues	477,349	195,657	3,558,420	95,412
Deductions	(101,486)	(40,917)	(756,167)	-
Net revenues	375,863	154,740	2,802,253	95,412
Current Account	(13,519)	(6,196)	(207,863)	-
Cost	(79,282)	(49,535)	(1,804,625)	(85,389)
Gross earnings	**283,062**	**99,009**	**789,765**	**10,023**
Reversion of current account (CPC)			-	
Operating expenses/revenues		-	-	
Expenses		-	-	
Sales		-	-	
General and administrative		-	-	
Other operational expenses (revenues)		-	-	
Financial		-	-	
Financial revenues		-	-	
Financial expenses		-	-	
Profit before tax		-	-	
Provision for income tax and social contribution	-	-	-	
Net income for the year	**-**	**-**	**-**	

Margin by segment - January 1, 2010 to December 31, 2010

Cogeneration	Automotive	Revenue from construction	Other revenues	Total
332,581	317,675	-	-	4,909,960
219,093	274,258	257,647	23,153	5,100,989
(46,556)	(58,283)	-	(2,237)	(1,005,646)
172,537	215,975	257,647	20,916	4,095,343
2,140	(16,654)	-	-	(242,092)
(129,528)	(152,953)	(257,647)	(16,601)	(2,575,560)
45,149	**46,368**	**-**	**4,315**	**1,277,691**
				242,092
				(682,547)
				(547,957)
				(92,819)
				(448,692)
				(6,446)
				(134,590)
				31,379
				(165,969)
				837,236
				(257,256)
				579,980

Segment	Residential	Commercial	Industrial	Thermo generation
Volume m³ thousand (unaudited)	143,980	95,399	3,313,937	20,706
Gross revenues	449,107	200,867	3,650,392	7,869
Deductions	(95,398)	(41,963)	(777,052)	(45)
Net revenues	353,709	158,904	2,873,340	7,824
Current Account	(10,778)	(12,912)	(427,987)	(116)
Cost	(76,470)	(51,191)	(1,748,907)	(7,425)
Gross earnings	**266,461**	**94,801**	**696,446**	**283**
Reversion of current account (CPC)				
Operating expenses/revenues				
Expenses				
Sales				
General and administrative				
Other operational expenses (revenues)				
Financial				
Financial revenues				
Financial expenses				
Profit before tax				
Provision for income tax and social contribution				
Net income for the year				

28. REVENUES

Net sales for the year break down as follows:

	2010	2009
Gross sales of products and services	5,100,989	5,161,408
Sales taxes	(1,005,646)	(1,045,129)
Net revenues	**4,095,343**	**4,116,279**

Margin by segment - January 1, 2009 to December 31, 2009

Cogeneration	Automotive	Revenue from construction	Other revenues	Total
318,139	368,804	-	-	4,260,965
226,928	376,055	224,693	25,497	5,161,408
(48,315)	(79,907)	-	(2,449)	(1,045,129)
178,613	296,148	224,693	23,048	4,116,279
(16,966)	(51,109)	-	-	(519,868)
(121,259)	(200,055)	(224,693)	(14,000)	(2,444,000)
40,388	**44,984**	**-**	**9,048**	**1,152,411**
				519,868
				(692,642)
				(516,911)
				(99,399)
				(387,021)
				(30,491)
				(175,731)
				27,333
				(203,064)
				979,637
				(289,243)
				690,394

29. EXPENSES BY TYPE

Comgás opted to present its consolidated statement of income by function. As required by IFRS, a detailed breakdown of the statement of income by is shown below:

	2010	2009
Personnel expenses	141,068	123,232
Materials/services expenses	190,741	185,586
Operational expenses	6,446	30,491
Depreciation and amortization	209,702	177,602
Expenses by type	**547,957**	**516,911**

30. FINANCIAL INCOME AND EXPENSES

	2010	2009
Financial expenses		
Interest charges on loans/financing/debentures	(142,832)	(175,772)
IOF tax/bank charges/commission	(16,129)	(19,462)
Capitalization of interest	21,753	13,030
Interest as per CVM Instruction 600 - post-employment benefit	(18,114)	(17,712)
Other	(956)	(86)
	(156,278)	**(200,002)**
Monetary variations, net		
Loans and financing	(310)	(1,468)
Monetary gains	44	(86)
Monetary losses	(9,381)	(1,594)
	(9,647)	**(3,148)**
Financial revenues		
Charges for customer arrears	12,230	13,329
Income from financial investments	11,825	7,872
Interest	1,724	1,544
Other	5,556	4,674
	31,335	**27,419**
	(134,590)	**(175,731)**

31. EARNINGS PER SHARE

There is no difference between basic and diluted earnings per share.

			2010
	Preferred	**Common**	**Total**
Net income for the year	135,044	444,936	579,980
Number of shares (thousands)	25,912	93,911	119,823
Earnings per Share - R$	5.21	4.74	4.84

			2009
	Preferred	**Common**	**Total**
Net income for the year	160,753	529,641	690,394
Number of shares (thousands)	25,912	93,911	119,823
Earnings per Share - R$	6.20	5.64	5.76

32. INSURANCE

Coverage under our principal insurance policies, relating to the nature and level of risk against potential losses of our assets, is as follows:

Risk	USD '000
Operational risk	81,790
Civil liability	100,000

33. COMMITMENTS

(a) Commitments for acquisition of regulatory assets and targets

Commitments for acquisition of intangible assets amounting to R$ 42,571 on December 31, 2010 (R$ 34,536 on December 31, 2009) refer to expenses contracted but not yet incurred relating to acquisition, support and management of the piped gas distribution network, and administrative and technology costs of Comgás business.

Regulatory commitments in the amount of R$ 1,614,609 on December 31, 2010 (R$ 1,915,350 on December 31, 2009) were determined by the last tariff review in May 2009, based on the investment plan defined by the regulator, and are expected to occur by May 2014, when the current tariff cycle ends.

(b) Commitments to lease/ rent contracts

On December 31, 2010, Comgás has contracts for rental of property and their expenses recognized during the year ended on this date totaled R$ 6,775 (2009 - R$ 7,200). Additionally, Comgás has no contracts under financial leasing arrangements.

34. INITIAL ADOPTION OF TECHNICAL PRONOUNCEMENTS FROM ACCOUNTING PRONOUNCEMENTS COMMITTEE (CPC)

The convergence of accounting practices adopted in Brazil with International Financial Reporting Standards (IFRS) took place in two stages: (a) the first was in 2008, when accounting pronouncements CPC 01 - 14 were issued. They were applied by Comgás in its financial statements on December 31, 2008; (b) the second was developed in 2009 with the issue of accounting pronouncements CPC 15 to 40 and 43 (except CPC 34 - not yet issued).

The new accounting pronouncements from CPC 15 -40 and 43 were initially adopted in Comgás full interim financial statements for the six months ended June 30, 2010. In this context, the transition date adopted by Comgás was January 1, 2009, when the initial balance sheets were prepared.

Comgás applied CPCs 37 and 43 for the preparation of these annual financial statements.

In preparing these financial statements, Comgás applied the mandatory exceptions and certain optional exemptions in relation to full retrospective application.

(a) Exemptions from full retrospective application by Comgás

Comgás opted to measure assets and liabilities at the carrying amounts that were included in the consolidated financial statements of the final controlling block, based on date of transition to IFRS of the final controller, as permitted by CPC 37 - Initial Adoption of International Accounting Standards, Appendix D - Exemptions from other IFRS rules (D16).

(b) Exceptions - retrospective application by Comgás

Comgás applied the following mandatory exceptions for retrospective application.

Exception of estimates

Estimates used in preparing these financial statements for January 1, 2009 and December 31, 2009 are consistent with estimates made

on the same dates in accordance with accounting practices adopted in Brazil ("former BR GAAP").

Other mandatory exceptions did not apply because there was no significant difference compared to the former BR GAAP in these areas:

- Reversion of assets and liabilities
- Non-controlling interest
- Hedge accounting exception

(c) Reconciliation former BR-GAAP and IFRS/CPC

The following are explanations of material adjustments to balance sheet and income statement and the reconciliations and quantifying the measurement of transition effects.

(i) ICPC 01 - "Concession agreements"

Replacing PP&E relating to construction of infrastructure for gas distribution services, Comgás recognized the right to charge users for the supply of gas as intangible assets, as disclosed in Note 17. Additionally for disclosure purposes, construction of infrastructure is considered services provided to the concession authority, and the corresponding revenue is recognized in earnings at cost value, since there is no margin set by the authority for this service and since management does not see construction of infrastructure as a source of revenue and earnings.

(ii) CPC 20 - "Borrowing Costs"

Comgás adopted criteria under which capitalization rate of interest became the effective rate, equivalent to the weighted average cost of borrowings that are applicable in each period, resulting in an adjustment in the amount of R$ 28,350 on January 1, 2009.

(iii) CPC 22 - "Segment analysis"

Comgás is disclosing financial statements by operating segment (Industrial, Residential, Commercial, Automotive, Thermal generation and Cogeneration), as described in Note 27.

(iv) CPC 00 "Conceptual Framework for Preparation and Presentation of Financial Statements" and CPC 25 - Provisions, Contingency Liabilities and Assets"

Comgás reversed the effects of the regulatory current account as mentioned in Note 6.

(v) CPC 27 - "Fixed assets/PP&E"

Until the year ended December 31, 2009, fixed assets were recorded at cost and depreciated using the straight-line method, considering the estimated useful life of components. Repairs and maintenance were charged to income in the period in which they were incurred. Cost of major repairs was added to the carrying amount of the asset when future economic benefits exceeded the level of performance originally estimated for the asset.

Pursuant to Article 6 of Law 11638/07 existing balances in the revaluation reserve must be maintained until the actual realization or reversed by the end of the fiscal year in which this law came into force. Comgás decided to maintain revaluation reserve balances until actual realization.

As a result of the adoption of ICPC 01 on January 1, 2009, Comgás reclassified all fixed assets to the "Intangible assets" heading as disclosed in Note 17. In addition, part of fixed assets related to spare parts equivalent to R$ 47,522 on December 31, 2009 (January 1, 2009 - R$ 47,354) was reclassified to "Inventory".

(vi) CPC 32 - "Taxes on net income"

Comgás started to recognize current and deferred taxes at duly offset values when applicable.

(vii) CPC 37 - "Initial Adoption of International Accounting Rules"

As permitted by said CPC, accounting in an hyperinflationary economy under accounting practices adopted in Brazil was applied in line with IAS 29 in Brazil's hyperinflationary period until 1995 for local purposes. However, under IFRS, the Brazilian economy was still covered by the definition of hyperinflationary in 1996 and 1997.

As a result of this adoption, Comgás recognized the amount of R$ 46,921 in the initial balance of January 1, 2009.

(viii) Retained earnings

Except for reclassified items, all adjustments arising from the above-mentioned rules were entered against the retained earnings account on January 1, 2009.

On adopting the new CPC, Comgás reclassified nonmaterial amounts.

The following reconciliations show quantification of the effect of transition to the CPC on the following dates:

- Shareholders' equity on transition date - January 1, 2009.

- Shareholders' equity on December 31, 2009.

- Net income for the year ended December 31, 2009.

(ix) Transfers between accounts

Transfers between accounts are due to revision of deadlines for realization by management, as described below:

- Accounts receivable

- Other accounts receivable

- Assets held for sale

- Judicial deposits

- Derivatives

(d) Reconciliation of shareholder equity January 1, 2009

	December 31 2008 BR GAAP	Transfer between accounts (ix)	Regulatory current account (iv)	Intangible (i, ii e vii)
Assets				
Current				
Cash and near cash	39,726	-	-	-
Accounts receivable - customers	470,876	20,407	-	-
Cost of gas to be recovered/(passed on)	528,289	-	(528,289)	-
Other accounts receivable	68,402	(35,094)	-	-
Inventories	34,986	-	-	-
Indirect taxes to offset	144,646	-	-	-
Assets held for sale	-	14,688	-	-
Others	15,321	(2)	-	-
	1,302,246	**(1)**	**(528,289)**	**-**
Noncurrent				
Long-term receivables				
Deferred taxes - IRPJ and CSLL	66,629	-	-	-
ICMS tax to be recovered	9,859	-	-	-
Accounts receivable	4,325	-	-	-
Judicial deposits	10,806	1,748	-	-
Others	1,305	(1)	-	-
	92,924	1,747	-	-
Property, plant and equipment	2,322,809	-	-	(2,275,455)
Intangible	294,540	-	-	2,350,726
	2,617,349	**-**	**-**	**75,271**
	2,710,273	**1,747**	**-**	**75,271**
Total assets	**4,012,519**	**1,746**	**(528,289)**	**75,271**

Inventory valuation method (v)	Current and deferred income tax (vi)	Others	Total effect of change to CPC	January 1 2009 CPC
-	-	-	-	39,726
-	-	(362)	20,045	490,921
-	-	-	(528,289)	-
-	-	-	(35,094)	33,308
47,354	-	-	47,354	82,340
-	(83,897)	-	(83,897)	60,749
-	-	-	14,688	14,688
-	-	-	(2)	15,319
47,354	**(83,897)**	**(362)**	**(565,195)**	**737,051**
-	142,064	-	142,064	208,693
-	-	-	-	9,859
-	-	-	-	4,325
-	-	-	1,748	12,554
-	-	-	(1)	1,304
-	142,064	-	143,811	236,735
(47,354)	-	-	(2,322,809)	-
-	-	-	2,350,726	2,645,266
(47,354)	**-**	**-**	**27,917**	**2,645,266**
(47,354)	**142,064**	**-**	**171,728**	**2,882,001**
-	**58,167**	**(362)**	**(393,467)**	**3,619,052**

	December 31 2008 BR GAAP	Transfer between accounts (ix)	Regulatory current account (iv)	Intangible (i, ii e vii)
Liability				
Current				
Derivatives	-	18,305	-	-
Loans and financing	574,068	2,843	-	-
Non-convertible debentures	6,070	-	-	-
Suppliers	645,660	-	-	-
Controlling companies	10,594	-	-	-
Salaries and social security charges	37,646	-	-	-
Taxes and contributions to be paid	50,604	-	-	-
Dividends and interest on shareholder equity	129,107	-	-	-
Provision for income tax and social sec. (IRPJ and CSLL)	213,145	-	-	-
Other payables	12,611	(4)	-	-
	1,679,505	**21,144**	**-**	**-**
Noncurrent				
Loans and financing	904,132	(21,148)	-	-
Non-convertible debentures	100,000	-	-	-
Prepayments from customers and others	29,968	-	-	-
Pension benefit obligations	117,629	-	-	-
Provision for contingencies	37,307	1,749	-	-
Deferred taxes - IRPJ and CSLL	6,897	-	-	-
	1,195,933	**(19,399)**		
Shareholder equity			**-**	**-**
Paid-in capital	326,570	-	-	-
Capital reserves	84,147	-	-	-
Revaluation reserves	18,751	-	-	-
Profit reserves	707,613	(1)	(528,289)	75,271
	1,137,081	**(1)**	**(528,289)**	**75,271**
Total liabilities and shareholders' equity	**4,012,519**	**1,744**	**(528,289)**	**75,271**

Inventory valuation method (v)	Current and deferred income tax (vi)	Others	Total effect of change to CPC	January 1 2009 CPC
-	-		18,305	18,305
-	-		2,843	576,911
-	-		-	6,070
-	-		-	645,660
-	-		-	10,594
-	-		-	37,646
-	-		-	50,604
-	-		-	129,107
-	(83,896)		(83,896)	129,249
-	-		(4)	12,607
-	**(83,896)**		**(62,752)**	**1,616,753**
			-	**-**
-	-	-	(21,148)	882,984
-	-	-	-	100,000
-	-	(6,431)	(6,431)	23,537
-	-	-	-	117,629
-	-	-	1,749	39,056
-	(9,898)	3,001	(6,897)	-
	(9,898)	**(3,430)**	**(32,727)**	**1,163,206**
-	**-**	**-**	**-**	**-**
-	-	-	-	326,570
-	-	-	-	84,147
-	-	(3,001)	(3,001)	15,750
-	151,963	6,069	(294,987)	412,626
-	**151,963**	**3,068**	**(297,988)**	**839,093**
-	**58,169**	**(362)**	**(393,467)**	**3,619,052**

(e) Reconciliation of shareholder equity on December 31, 2009

	December 31 2009 BR GAAP	Transfer between accounts (ix)	Regulatory current account (iv)	Intangible (i, ii e vii)
Assets				
Current				
Cash and near cash	194,273	-	-	-
Accounts receivable - customers	411,072	19,272	-	-
Cost of gas to be recovered/(passed on)	29,349	-	(29,349)	-
Other accounts receivable	56,794	(33,751)	-	-
Inventories	63,684	(1)	-	-
Indirect taxes to offset	126,097	-	-	-
Assets held for sale	-	14,479	-	-
Other	18,617	-	-	-
	899,886	**(1)**	**(29,349)**	**-**
Noncurrent				
Long-term receivables				
Deferred taxes - IRPJ and CSLL	76,613	-	-	-
ICMS tax to be recovered	9,674	-	-	-
Accounts receivable	3,992	-	-	-
Judicial deposits	11,687	1,911	-	-
Other	2,185	-	-	-
	104,151	**1,911**	**-**	**-**
Property, plant and equipment	2,445,146	-	-	(2,397,624)
Intangibles	380,000	1	-	2,468,700
	2,825,146	**1**	**-**	**71,076**
	2,929,297	**1,912**	**-**	**71,076**
Total assets	**3,829,183**	**1,911**	**(29,349)**	**71,076**

Inventory valuation method (v)	Current and deferred income tax (vi)	Others	Total effect of change to CPC	December 31 2009 CPC
-	-	-	-	194,273
-	-	-	19,272	430,344
-	-	-	(29,349)	-
-	-	-	(33,751)	23,043
47,522	-	-	47,521	111,205
-	(89,860)	-	(89,860)	36,237
-	-	-	14,479	14,479
-	-	-	-	18,617
47,522	**(89,860)**	**-**	**(71,688)**	**828,198**
-	(22,847)	-	(22,847)	53,766
-	-	-		9,674
-	-	-	-	3,992
-	-	-	1,911	13,598
-	-	-	-	2,185
-	**(22,847)**	**-**	**(20,936)**	**83,215**
(47,522)	-	-	(2,445,146)	-
-	-	-	2,468,701	2,848,701
(47,522)	**-**	**-**	**23,555**	**2,848,701**
(47,522)	**(22,847)**	**-**	**2,619**	**2,931,916**
-	**(112,707)**	**-**	**(69,069)**	**3,760,114**

	December 31 2009 BR GAAP	Transfer between accounts (ix)	Regulatory current account (iv)	Intangible (i, ii e vii)
Liability				
Current				
Derivatives	-	30,325	-	-
Loans and financing	616,186	(16,886)	-	-
Debentures	4,029	-	-	-
Suppliers	408,344	-	-	-
Controlling companies	9,638	-	-	-
Salaries and social security charges	36,265	-	-	-
Taxes and contributions to be paid	67,954	-	-	-
Dividends and interest on shareholder equity	32,105	-	-	-
Provision for income tax and social sec. (IRPJ and CSLL)	138,825	-	-	-
Other payables	8,446	-	-	-
	1,321,792	**13,439**	**-**	**-**
Noncurrent				
Loans and financing	929,894	(13,439)	-	-
Debentures	100,000	-	-	-
Prepayments from customers and others	29,473	-	-	-
Pension benefit obligations	124,129	-	-	-
Provision for contingencies	39,123	1,911	-	-
Deferred taxes - IRPJ and CSLL	5,659	-	-	-
	1,228,278	**(11,528)**	**-**	**-**
Shareholder equity				
Paid-in capital	636,863	-	-	-
Capital reserves	25,661	-	-	-
Revaluation reserves	17,345	-	-	-
Profit reserves	599,244	-	(29,349)	71,076
	1,279,113	-	(29,349)	71,076
Total liabilities and shareholders' equity	**3,829,183**	**1,911**	**(29,349)**	**71,076**

Inventory valuation method (v)	Current and deferred income tax (vi)	Others	Total effect of change to CPC	December 31 2009 CPC
-	-	-	30,325	30,325
-	-	-	(16,886)	599,300
-	-	-	-	4,029
-	-	-	-	408,344
-	-	-	-	9,638
-	-	-	-	36,265
-	-	-	-	67,954
-	-	-	-	32,105
-	(89,860)	-	(89,860)	48,965
-	-	-	-	8,446
-	**(89,860)**	**-**	**(76,421)**	**1,245,371**
				-
-	-	-	(13,439)	916,455
-	-	-	-	100,000
-	-	-	-	29,473
-	-	-	-	124,129
-	-	-	1,911	41,034
-	(8,660)	3,001	(5,659)	-
-	**(8,660)**	**3,001**	**(17,187)**	**1,211,091**
-	-	-	-	636,863
-	-	-	-	25,661
-	-	(3,001)	(3,001)	14,344
-	(14,187)	-	27,540	626,784
-	(14,187)	(3,001)	24,539	1,303,652
-	**(112,707)**	**-**	**(69,069)**	**3,760,114**

(f) Reconciliation of income statement - year 2009

	December 31 2009 BR GAAP	Transfer between accounts (ix)	Application of ICPC 01 (i)	Regulatory current account (iv)
Gross revenues from sales and/or services	4,942,784	-	224,693	(6,069)
Deductions from gross revenues	(1,058,362)	-	-	13,233
Net revenue sales and/or services	3,884,422	-	224,693	7,164
Cost of goods and/or services sold	(2,737,365)	-	(224,693)	518,058
Gross earnings	1,147,057	-	-	525,222
Operational expenses	(509,383)	-	-	-
Selling expenses	(96,397)	-	-	-
General and administrative	(212,421)	-	-	-
Other operational expenses (revenues)	(30,491)	-	-	-
Depreciation and amortization	(170,074)	-	-	-
Financial	(215,212)	68,498	-	(32,351)
Financial revenues	59,684	-	-	(32,351)
Financial expenses	(274,896)	68,498	-	-
Operating income	422,462	68,498	-	492,871
Earnings before taxation and equity	422,462	68,498	-	492,871
Provision Income tax and social sec. plus state extra	(123,093)	-	-	-
Reversion of interest on shareholder equity	68,498	(68,498)	-	-
Net income for the year	**367,867**	**-**	**-**	**492,871**

Intangibles (CPC 37 (vii))	Cost of borrowings (ii)	Deferred income tax (vi)	Total effect of change to CPC	December 31 2009 CPC
-	-	-	218,624	5,161,408
-	-	-	13,233	(1,045,129)
-	-	-	231,857	4,116,279
-	-	-	293,365	(2,444,000)
-	-	-	525,222	1,672,279
(6,417)	(1,111)	-	(7,528)	(516,911)
-	-	-	-	(96,397)
-	-	-	-	(212,421)
-	-	-	-	(30,491)
(6,417)	(1,111)	-	(7,528)	(177,602)
-	3,334	-	39,481	(175,731)
-	-	-	(32,351)	27,333
-	3,334	-	71,832	(203,064)
(6,417)	2,223	-	557,175	979,637
(6,417)	2,223	-	557,175	979,637
-	-	(166,150)	(166,150)	(289,243)
-	-	-	(68,498)	-
(6,417)	**2,223**	**(166,150)**	**322,527**	**690,394**

COMGÁS

Rua Olimpíadas, 205 10º andar
04551-000 São Paulo SP Brasil
Tel.: 55 11 4504-5000
www.comgas.com.br

CREDITS

Organization
Regulatory and Institutional affairs
Institutional Communication

Overall coordination
Suzy Gasparini
Tatiana Bielefeld

Editorial coordination and content
Editora Contadino

Graphic design
FutureBrand BC&H

Proofreading
Editora Contadino

Photos
Rogério Lemos Montenegro

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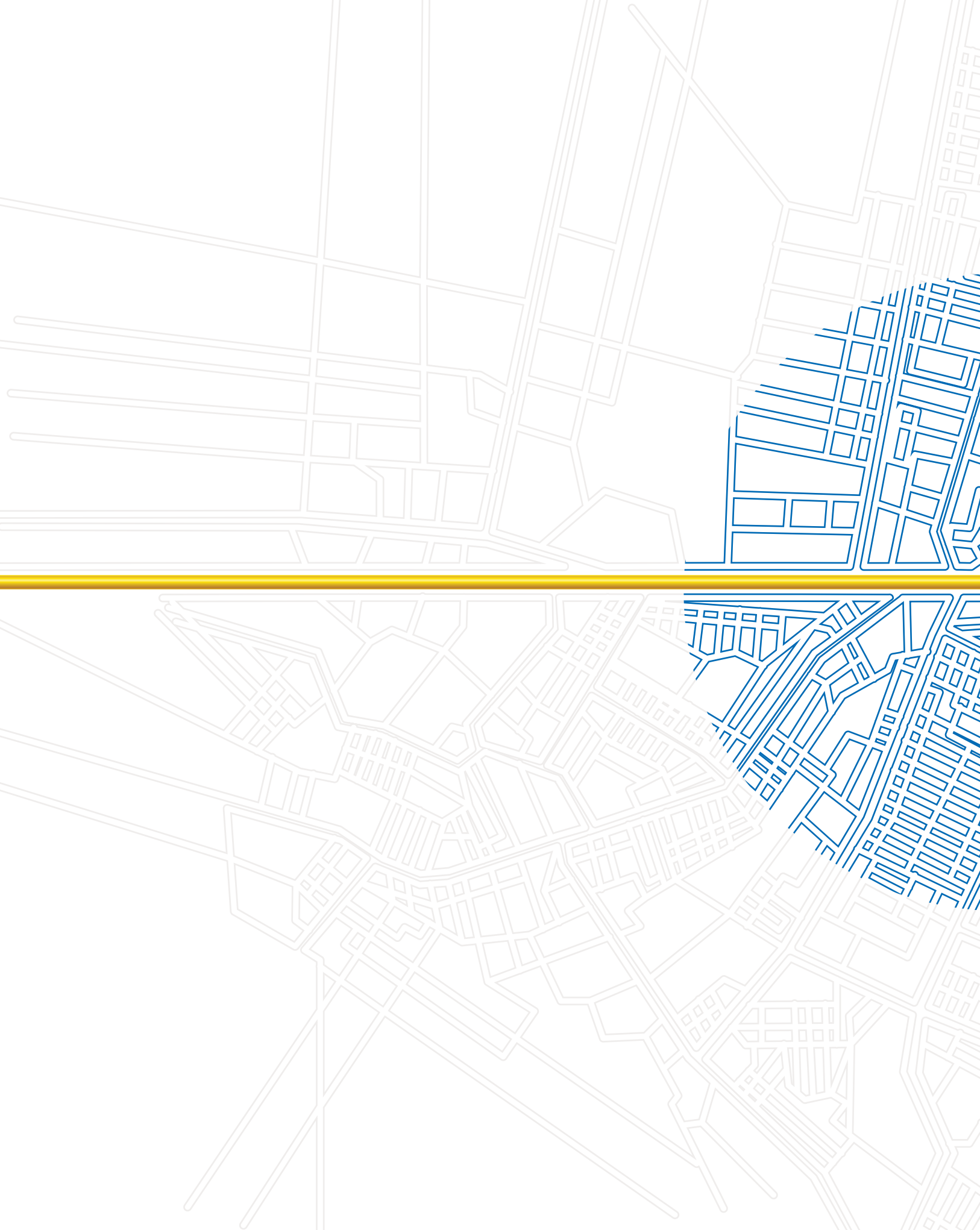
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