

### Automatic gas applications

Cogeneration and Thermal Generation - more energy sources, more economy

Projects with smarter structure, industry and commerce with more efficient management

### Investments

R\$852 million invested in 2013 to expand natural gas supply in the concession area

RETAP capacity reinforced in São Paulo's metropolitan area, making it safer and more reliable

# 2013 COMGÁS PERFORMANCE



# MODERNITY & INNOVATION

Network expansion and new gas applications to support São Paulo's development

03



## LETTER FROM THE CEO

Commitment to development

10



## CORPORATE GOVERNANCE

Good management practices ensure high business standards

05



## ABOUT THIS REPORT

Highlights

12



## STRATEGY, SCENARIO AND FORECASTS

The future powered with automatic gas

06



## COMGÁS PROFILE

Expansion that leads to modernity and development

18



**ABUNDANT, VERSATILE AND EFFICIENT**

Gas: an icon of urban development

24



**FINANCIAL PERFORMANCE**

Results achieved with attitude

28



**RELATIONSHIP WITH STAKEHOLDERS**

Supply chain and partner management

- Comgás Team
- Supply chain and partner management
- Focus on customers
- Relationship with the society

**Masthead**

**Executive Edition**

Simone de Carvalho Soares  
Júnia Mara Caldeira  
Michelle Godoy de Oliveira

**Writing and editing**

Report Sustentabilidade

**Revision**

Assertiva Produções Editoriais

**Graphic design, layout and printing**

Report Sustentabilidade

**Pictures**

Cosan Files

### COMMITMENT TO DEVELOPMENT

---



**T**o be the best provider of energy services in Brazil, a country that gets better and better each day. This is our purpose, which is in synergy with the mission to democratize the supply of gas and provide comfort, modernity and development to society.

Our commitment to the development of São Paulo's Capital City became stronger in 1999, when the State of São Paulo decided, together with the private sector, to take the gas to a greater number of companies, commercial establishments and residences. Since then, we have met all the targets set by the São Paulo State Sanitation and Energy Regulatory Agency (Arseps), renewing and expanding the network, and making available a resource that, besides being abundant, available, versatile and efficient, is also safe, does not need to be loaded, neither fails or ends.

Our business model is supported by a long-term vision that leads us to consistent and high performance results. We have intensely worked with a focused team on more updated processes and innovative applications.

Our achievements in 2013 evidenced our capacity to invest in energy alternatives and supply infrastructure. We surpassed the mark of 1.3 million clients, broke a record of 67 thousand connections in new buildings, and started to provide services to 64 new industries.

We invested R\$852 million in the expansion of our distribution network, the greatest allocation of funds ever made by Comgás. In 2013, we added 1,629 kilometers to the network, 27% more than in the previous year, and renovated 57%

of the cast iron network, using safer and more efficient technologies.

We implemented our works in Guarulhos, Osasco, São Bernardo do Campo, Taubaté and Itaquera (in the city of São Paulo), and completed the improvements to the RETAP network (High-Pressure Pipe Network) in order to meet the increase in gas demand in the Metropolitan Region of the capital city. In 2013, we also completed the main distribution network of Iguai and São João da Boa Vista, which resulted in positive economic impacts for this region.

These examples confirm our determination to democratize the access to gas. We are continuously expanding our actions and betting on the growth of fronts that may enable savings and new alternatives of energy generation, such as Vehicle Natural Gas, cogeneration, and air conditioning.

In addition to all these novelties, here you will find information on our actions and results. We will continue to work on a positive agenda that seeks to serve and benefit our society as a whole, always focused on the growth and modernity of São Paulo, as well of Brazil, in time to come.

Enjoy your reading!

**Luis Henrique Guimarães**  
CEO, Comgás

### HIGHLIGHTS

The subjects handled were chosen as result of a materiality process carried out in 2012 and 2013, which listed the most significant topics for the company (see the materiality matrix on the image).

These topics became the guidelines for development of new actions. The subjects comprise: High business standards (under the point of view of gas as an element for development of society), Client relationship (focused on the excellence of the services provided), Interaction with the government and society (Comgás's actions as a utility company), and Health and safety (which makes an approach of the culture and maintenance of a consistent management system by the company).

The topics of the matrix are regularly discussed by a specific Work Group (WG), which is a governance structure developed to support Comgás's management model. The WG includes representatives of the following areas: Operations; Institutional Relations; Finance; Legal; Marketing; Human Resources; Health, Safety, Environment and Quality (HSEQ); Customer Relationship, and other key areas in the company. Comgás's WG is in permanent dialog with the corporate WG (Cosan S.A.), whose structure includes professionals from corporate areas and representatives of each business.

### Comgás Matrix and its topics

The vertical axis represents the material themes highlighted by the employees, business executives, and internal documents and policies. The horizontal axis represents the most important themes from an external perspective, according to opinion formers, specialists, sector studies, the media, and others.

## MATERIALITY

is the process to identify the most relevant themes for the Company based on internal (WG discussions, internal documents analysis, interviews with company professionals) and external (sector and media studies, interviews with representatives of Comgás's industry) perceptions.



# EXPANSION THAT LEADS TO MODERNITY AND DEVELOPMENT

Comgás does more than simply offer a service - it democratizes a benefit, taking a safer, more comfortable, available and cleaner energy to clients

**C**ompanhia de Gás de São Paulo - Comgás is Brazil's largest natural gas distributor and operates in the metropolitan regions of São Paulo and Campinas, the Paraíba Valley (Vale do Paraíba) and the Baixada Santista. This area corresponds to 27% of the Brazilian GDP and 35% of all energy consumed in the country.

In addition to distribution, the company is focused on the expansion of the use of gas, democratizing the access of all social classes and making new applications feasible for the commerce and manufacturing sectors. The company has an infrastructure of 10.9 thousand kilometers of network, or 18% more than the extension registered in 2012, being able to serve over 1.3 million residential

clients, 70 municipalities, 12,297 commercial establishments and 1,032 industries.

With headquarters in São Paulo, State of São Paulo, Comgás is a publicly held company controlled by Cosan S.A. Indústria e Comércio, which owns 61% of the company, and by Shell, which owns 18% of Comgás (6% through Shell Brazil Holding and 12% through Integral Investments BV). Other shareholders own the remaining 21% of the company's capital stock (outstanding shares). The company's stock has been listed on the São Paulo Stock Exchange since 1997.

Comgás is a provider of a public utility regulated by the São Paulo State Sanitation and Energy Regulatory Agency (ARSESP).



LARGE NUMBERS

Over  
**1.3 million**  
clients

Clients in  
**70 cities**

**10,938**  
kilometers of network

# 2013 OPERATING HIGHLIGHTS

## 1,032

industrial  
establishments  
served

## 12,297

commercial  
establishments  
served

## 1,210

employees, plus  
contractors that employ  
nearly 5,000 people

## Over 12 million

hour/men  
worked in 2013

## 1,629 km

more than in 2012,  
up 38% YOY

## 160 km

steel network built,  
a record high

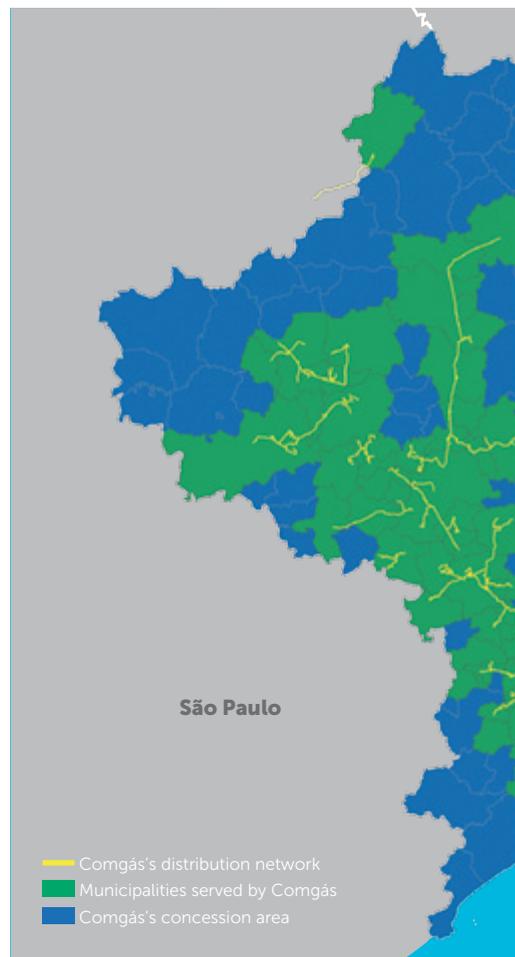
### 2013 Milestones

One of the highlights for the year was the beginning of the supply of piped natural gas to the manufacturing sector of Capivari, in the region of Campinas. The new energy source is a strong incentive for the installation of new companies in the city, besides benefiting the existing industries. Some industries in Capivari already count on supply, while others will start receiving natural gas.

The expansion of the supply of piped gas in Mogi das Cruzes, as part of the expansion project that, by August 2014, will connect over 3.5 thousand clients to Comgás's distribution network. The network will be nearly 75 km long, and demand investments of R\$8 million. Since the beginning of the expansion, in October 2009, the company has implemented 330 km of network and connected almost 16 thousand clients.

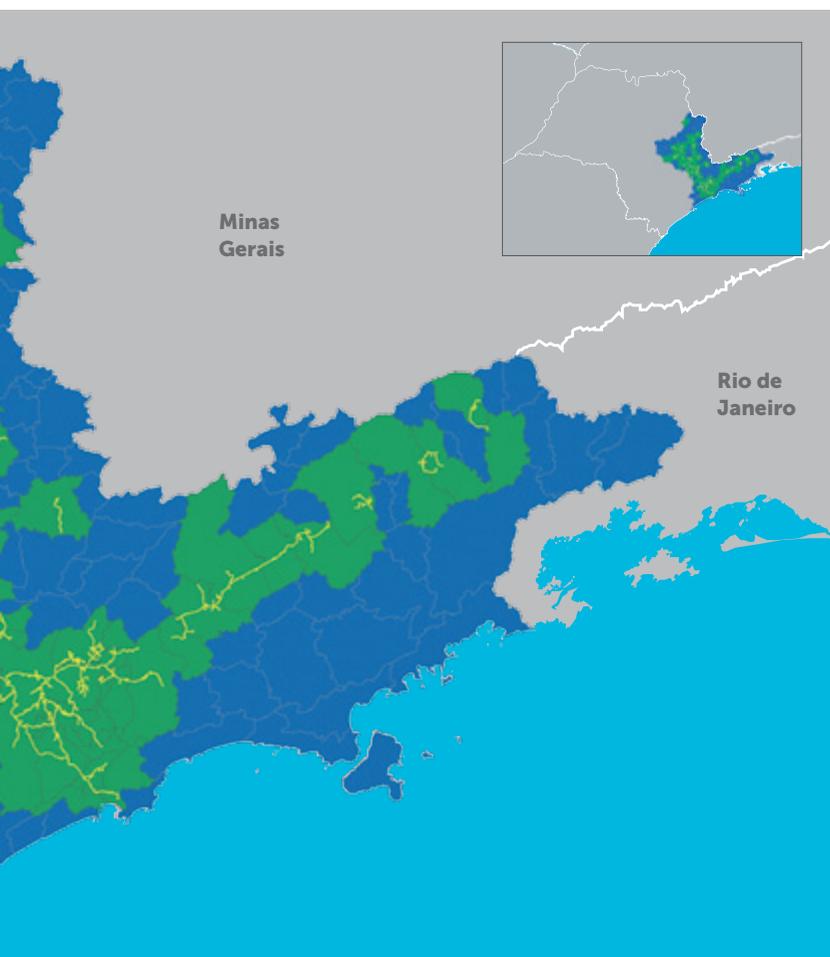
Some 200 km of natural gas distribution network were built in the Paraíba Valley. In 2013 alone, 10 thousand new residential clients and 89 commercial establishments were connected. By the end of 2014, another nine thousand clients are expected to be connected to the distribution network. Currently, Comgás serves 57 thousand clients in the residential segment, 87 industries that include four cogeneration plants, 18 VNG stations and 383 commercial clients in the Paraíba Valley.

### Comgás's concession area



## 2013 FINANCIAL HIGHLIGHTS

- **A record volume of 5.5 billion m<sup>3</sup> for the year**, up 43%, 13% and 7% respectively in the thermal power generation, residential and commercial segments;
- **Investments of R\$852 billion**, up 38% year-over-year;
- **Debenture issue in the amount of R\$540 million**;
- EBITDA adjusted by the regulatory current account: **1,336 billion in 2013**, up 14% year-over-year.



### Key financial and operating indicators

	2012	2013	2012x2013
Number of meters	899,789	966,327	7.4%
Total volume (in thousands of m <sup>3</sup> )	5,258,630	5,456,954	3.8%
Volume without thermal generation (in thousands of m <sup>3</sup> )	4,731,617	4,703,190	-0.6%
Net revenue (in millions)	5,280	6,337	20.0%
Ebitda (in millions)	968	1,403	45.0%
Adjusted EBITDA (in millions)	1,176	1,336	13.6%
Net income (in millions)	370	619	67.1%
CAPEX (in millions)	616	852	38.3%
Net debt (in millions)	2,191	2,096	-4.3%
Net debt/EBITDA (in millions)	2.26	1.49	-0.77 p.p.

## Comgás Profile

### Good management practices ensure high business standards

Together with the Shareholders' Meeting and the Executive Board, the Board of Directors and the Fiscal Council, as well as the Audit Committee, comprise the Company's governance structure.

The highest decision-making body is the **general shareholders' meeting**, which takes place on a yearly basis or extraordinarily, if required. Management proposals are resolved on by the shareholders as advised by the Fiscal Council and independent auditors, and according to their analysis of the investments and financial statements. The Shareholders' Meeting is also responsible for electing or removing the members of the Fiscal Council and the Board of Directors.

As at December 31, 2013, the **Board of Directors** had nine members, of which eight are non-executive members, including one director elected by the employees, and one independent director appointed by minority shareholders. The chairman of the Board of Directors does not have an executive position at the company, and is elected for a two-year term and entitled to reelection. The Board meets at least on a quarterly basis. The Board of Directors is mainly responsible for: electing and removing the officers and defining their attributions; determining the general direction of business; selecting or appointing external auditors; calling on shareholders' meetings, and resolving on other matters as provided for in the company's bylaws.

There are also some supporting bodies named as "committees." The **Audit Committee** operates as an advisory body that supports the Board of Directors, meeting at least on a quarterly basis. Its members are responsible for: analyzing the process of submission of the financial statements; adjusting all internal controls relating to finance, operations, compliance and risk management; and ensuring the independence and organization of internal audits; as well as for selecting, removing, paying and guaranteeing the impartiality of the actions taken by the external auditors.

Other non-bylaw committees are as follows: Crisis Management Committee; Central Committee for Health, Safety, Environment and Quality (HSEQ), and Asset Integrity; Human Resources Committee (HR); Ethics Committee; Regulatory Committee; Gas Normalization and Technology Committee; Investment, Contracting, Provisions, PGV and Risk Management; Loss Committee; and Production Planning and Control Committee.

### Loss management

In order to strengthen risk prevention, Comgás counts on an area that detects, maps and prevents internal and external vulnerabilities caused by operational inefficiency or misconduct. Its actions aim at managing losses, converting them into positive changes, and analyzing any indications of fraud or irregularities.





## Ethics and responsibility

Comgás has an Ethics Channel that is available for all professionals of the company, its clients, suppliers and the community. Its function is to receive information on alleged fraud, misconduct or any facts that may hurt the values and principles of the company.

This tool ensures the required transparency and confidentiality since it is operated by an external company that is independent from Comgás. Calls to the Ethics Channel are directed to Comgás's Fraud Officer, who is in charge of checking and properly handling the information received. Contacts can be made through number 800 725 0039 or at [www.canaldeetica.com.br/comgas](http://www.canaldeetica.com.br/comgas).

## Regulatory indicators

The regulated market concession agreement set indicators that ensure that distribution service safety, quality and continuity standards and customer relations are maintained at high levels, to guarantee the satisfaction of the public and other stakeholders of the business.



## Management tools

Comgás's Corporate Governance relates to the integrated management of risks, and, together with the company's internal control tools, its structure guarantees the identification, measurement, control and minimization of the company's main risks. For this reason, an online corporate Risk Management system was created in 2006 to provide the access and interaction of managers via corporate intranet, ensuring more agility and safety to the risk management process.

Good governance practices give priority to ethical values and principles; enhance the company's investor relations; and stimulate managers to take decisions that benefit the business and its shareholders, thus generating continuity and adding value to all agents of its chain.

# THE FUTURE POWERED WITH *AUTOMATIC GAS*

---

Focused on its expansion plans, the challenge now is to continue to offer an automatic benefit - one that does not need a refill, does not end, does not fail, and is modern - and that can reach thousands of homes, industries and other establishments in the concession area

**C**omgás is a leading company in the gas distribution market, and its growth plans are based on scale and efficiency, aiming at continuously improving its services quality and the safety of its assets and people. In 2014, a wide market of clients within the concession area still has to be won until the company reaches the objective of 8 million homes. Investments may also be made depending on the macroeconomic and political scenario, such as biogas and pre-salt exploration.

The company supplies natural gas for vehicles, generates energy for thermal power plants, and uses pioneering technologies in the develop-

ment of distribution networks. Most of the gas distributed by Comgás - currently 60% - comes from Bolivia, being transported through the Bolivia-Brazil pipeline. However, in recent years, various reserves were found in Brazil, particularly in the basins located in Campos (State of Rio de Janeiro), Santos (State of São Paulo) and in the State of Espírito Santo. These deposits, along with the pre-salt findings and the investments in biogas production, are expected to operate effectively in the coming years.

According to estimates, natural gas will account for 15% of Brazil's matrix in 2015, while central-

ized and decentralized thermal power generation is the sector that is expected to grow the most over the coming years.

Comgás provides a safer, more comfortable and reliable service to its clients. Characteristics inherent to gas - such as the fact that its energy is clean and more efficient - contribute to a positive business growth perspective and value creation for other partner companies.



**CURRENTLY AVAILABLE**

**MANAGEMENT**

**100%**  
of the network is  
mapped and digitally  
georeferenced

**CAPACITY**

**5,5 billion**  
 $m^3$  delivered in 2013

**PRESENCE**

**23%**  
of the country's  
natural gas sales

## Strategy, scenario and forecasts

### Expanding and renewing the network

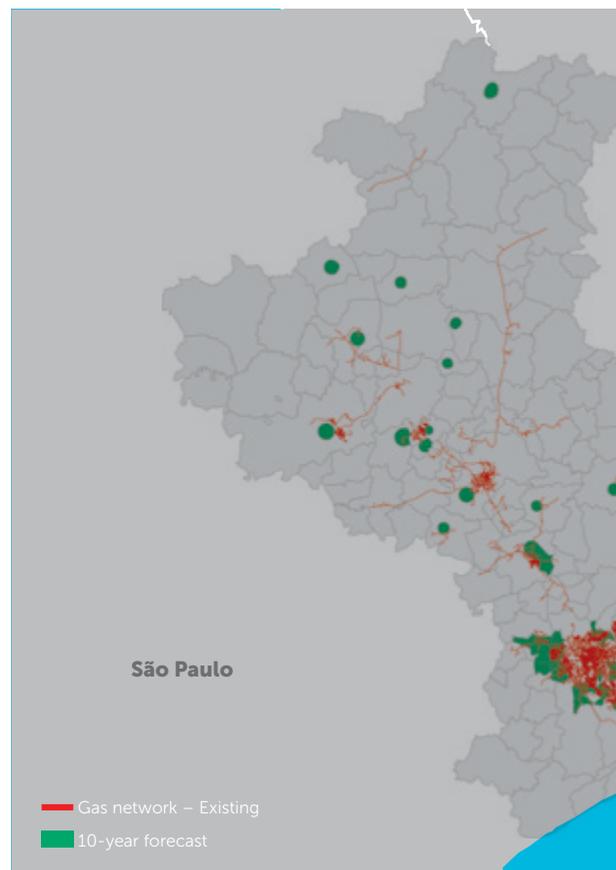
The targets for 2014 are linked to the projects for expansion of the Business Plan, through the construction of new high pressure steel networks, and expansion of polyethylene networks in the concession area, in order to serve the various segments.

In the metropolitan region of São Paulo, Comgás will complete more than 90% of its distribution network using a method that does not destroy the pavement known as "directed horizontal drilling," with lower impact for the community. A device is used to introduce new polyethylene pipes into the existing

cast iron grid. With this technology, Comgás has improved the productivity of its maintenance works, which occupy public roads for shorter periods and resume the supply faster.

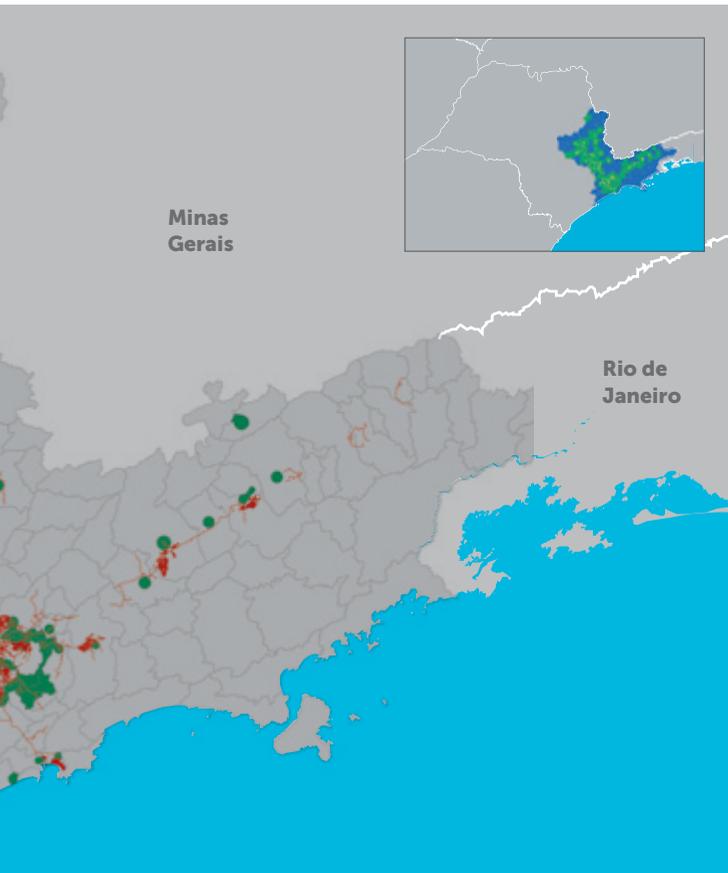
The company has already invested more than R\$650 million to renew its distribution network over the past years. More than 750 km were restructured, in addition to 37,000 branches that are responsible for connecting the Comgás network to client meters. In 2013, 57 km of network were renewed and 1,629 km were added to the system, totaling investments of R\$852 million.

### Gas network - Comgás's Planning



### Expansion of the Comgás network

	2009	2010	2011	2012	2013
Gas volume traded (m <sup>3</sup> )	4,261	4,910	4,835	5,259	5,457
Volume in the industrial segment (m <sup>3</sup> )	3,314	3,688	3,851	3,789	3,788
Number of industrial clients	973	982	1,002	1,008	1,032
Number of commercial clients	9,265	9,760	10,381	11,268	12,297
Number of residential clients	869,138	977,750	1,087,705	1,202,805	1,320,100
Number of Automotive clients	373	367	357	324	309
Number of Cogeneration clients	23	23	23	25	25
Number of Thermal power generation clients	2	2	2	2	2
Network extension	6,2 thousand km	6,9 thousand km	8 thousand km	9,3 thousand km	10,9 thousand km
Investments	R\$ 409 MM	R\$ 405 MM	R\$ 510 MM	R\$ 616 MM	R\$ 852 MM
Cities with clients	67	68	68	70	70



OVER R\$650 MILLION  
IN INVESTMENTS IN THE  
DISTRIBUTION  
NETWORK SINCE 1999  
TO REPLACE IT FOR  
SAFER, MORE MODERN  
MATERIALS - A  
VALUABLE LEGACY FOR  
THE STATE



### ALTERNATIVES FOR ENERGY GENERATION



COGENERATION IS APPROPRIATE FOR COMMERCIAL AND INDUSTRIAL BUSINESSES SEEKING OPERATIONAL COMPETITIVENESS, ENERGETIC SELF-SUFFICIENCY, AND SAFETY AND QUALITY OF THE ELECTRICITY RECEIVED

#### Efficient energy management

Cogeneration is one of Comgás's action fronts. It consists in the simultaneous production of thermal and electric energy from one single fuel source, that is, natural gas. Its application is appropriate for businesses seeking operational competitiveness, energetic self-sufficiency, and safety and quality of the electricity received – such as those of the commerce and industry sectors. The Cogeneration segment showed a decrease of 9.6% in the volume of gas distributed in 2013 compared to 2012 due to maintenance shutdowns at two clients and a decrease in the production of some plants.

Comgás believes and invests in projects of this type, both for its economic viability from a total cost of operation point-of-view, as well as to remedy energy instabilities in the market and secure the supply, which are recurring dilemmas in Brazil.

This clean energy source has been intensely sought after because it is abundant, has no interruption risks, and has a low environmental impact. Taking into account a domestic energy matrix that has difficulties to keep up with the growth in demand—both in terms of efficiency and cost—new types of energy generation are a good choice.

Most common uses for cogeneration are steam, hot and cold water, and air conditioning. The challenge for its growth is to determine a more competitive cost for gas.

### **Thermal power generation: more energy for Brazil**

With respect to Thermal Power Generation, which consists of the electricity produced from gas burning, Comgás ended 2013 with a total of 753.8 million m<sup>3</sup> distributed, an increase of 43% compared to 527 million m<sup>3</sup> in 2012. There was a strong impact from the Piratininga Plant, which dispatched nearly its maximum capacity in 2013.

### **More economic cars**

Because it is almost 50% more economic than other fuels and releases 15% less CO<sub>2</sub> into the atmosphere compared to ethanol and 20% less compared to gasoline, Vehicle Natural Gas (VNG) is a good alternative for car owners. Even with these advantages, it recorded a 9.8% decrease in

consumption in 2013, and it faces barriers due to the increased purchasing power of the population, which is stimulated to constantly renew its fleet of vehicles. Another barrier is the progressive incentives given by the federal government for the consumption of gasoline and diesel.

In 2014, the Company will strengthen its marketing campaigns for developing new VNG sales channels. In the institutional scope, one of the most recent actions was the revision of the calculation basis estimated, on August 2013, for the collection by the São Paulo Finance Department of the ICMS (Value-added Tax on Goods and Services) on VNG. The price per cubic meter of VNG charged by Comgás was decreased by R\$ 0.13 for gas stations that trade the product. The price of VNG for end consumers is based on the same mechanism applied for other fuels, that is, the free market.

VNG yields more and costs less per kilometer traveled. Currently, the average price per cubic meter of VNG in the State of São Paulo is R\$1.741/m<sup>3</sup>, yielding an average of 12.5 km per cubic meter. Gas and ethanol yield an average of 10 and 7 km/liter respectively. For comparability, the price per kilometer traveled per fuel is as follows:

- VNG: R\$ 0.139
- Ethanol: R\$ 0.288
- Gasoline: R\$ 0.288



# **GAS: AN ICON OF URBAN DEVELOPMENT**

---

In the major cities in developed countries, natural gas availability is a consolidated reality. In Brazil, Comgás strives to democratize this benefit

**G**as distribution is a benefit that is already available in the world's most developed regions and it should be democratized for the whole society. The populations of cities such as New York, Paris, London, Chicago, Miami, Berlin, Zurich, Amsterdam, Tokyo, and dozens of others have above 90% supply ratios. Together with the São Paulo state government, Comgás intends to democratize this benefit.

The path to be followed is the expansion of Comgás's network of 10,938 km of gas pipes that reach 1,032 industries, 12,297 commercial establishments, and over one million and three hundred thousand residential

customers, providing comfort for the various applications of the product, as well as social and economic development. For a comparison of the developments achieved, in 1999, when the company went private, the fuel was available for 16 municipalities, 493 industries, 20 fuel stations, 7,044 commercial establishments and 306 thousand residences.

In 2013, R\$852 million were invested to continue the expansion, particularly in critical areas, contributing for the development of these regions. One of the most significant examples is the development of the region of Rio Claro, one of the largest ceramics production hubs in the

State of São Paulo. Comgás has operated in the region in the past 15 years, fulfilling the demand for energy required by industrial plants. Today, the need for energy has doubled, and the demand for natural gas is constantly growing.

In 2013, natural gas reached regions such as São João da Boa Vista, as well as the glass sector of the Paraíba Valley (AGC), having also supported the expansion of the retail market in various regions where Comgás has concessions.

To serve all clients in the concession area in 2013, the company distributed 5.5 billion m<sup>3</sup> of natural gas, an increase of 4% year-over-year.



**DEMOCRATIZING  
THE BENEFIT**

**INVESTMENT**

**R\$852  
million**

invested in  
supply expansion

**JOBS**

**nearly six  
thousand**

direct and indirect  
jobs created

**MOBILITY**

**140,000**

vehicles run on  
VNG in São Paulo

## Abundant, versatile and efficient

### 2013 Highlight: RETAP expansion

As part of the company's expansion strategy, the most important project in 2013 was the expansion in the capacity of the High Pressure Pipe Network (RETAP) in the metropolitan region of São Paulo in order to meet the clients' demand, especially the "Fernando Gasparian" thermal power plant (UTE). The company invested R\$113 million in the year.

A 27-km gas pipeline was built - most of this structure is submerged in the bed of the Billings reservoir - to link the RETAP to the future delivery point (or city-gate) located in the municipality of São Bernardo. The terrestrial stretch of the gas pipeline goes across the Anchieta highway and the Park, reaching the margins of the reservoir.

---

R\$113 MILLION  
INVESTED IN 2013  
IN THE EXPANSION  
OF THE RETAP,  
INCLUDING THE  
CONSTRUCTION  
OF THE 27-KM  
GAS PIPELINE  
THAT CROSSES  
THE BILLINGS  
RESERVOIR

---

### Modernity that leads to progress

In addition to expansion, Comgás seeks the modernization and application of new technologies to ensure the perpetuity of its business and the quality of services provided. In the past 15 years, the network is being replaced for more modern and safer materials, such as steel and polyethylene, in order to improve the quality of the services provided.

Other innovations include the study of new forms of residential connections and new gas applications. Pilot projects are being developed in homes, which become "labs" for new types of installations. Partner commercial establishments are also testing different gas applications, such as pizza gas ovens, which are gaining efficiency and allowing savings.

In order to fuel new ideas and applications, Comgás is investing in its Research & Development (R&D) program, through which the company's professionals are encouraged to prepare projects or creative and entrepreneurial activities with the purpose of generating knowledge or innovative applications for the business.

In 2013 a new superintendence was created to develop new gas application alternatives.



# ENERGY-EFFICIENT SOLUTIONS

Comgás bets on more energy-efficient solutions when developing projects for its clients. One of the applications is cogeneration, and it serves several types of industrial and commercial businesses. Cogeneration is a highly competitive energy alternative, creating benefits that offset the high costs resulting from the intense use of thermal power plants in Brazil.

It also secures electricity supply because it generates a surplus that is exported to the distribution network and can be directly consumed by the client, reducing the risk of failure or fluctuation in the system. This type of cogeneration also eliminates the need for new investments in transmission and distribution, because it uses the same network that is currently in place.

Therefore, the company acts as a mediator and adviser in mill projects, using its energy efficiency expertise to make cogeneration viable at industrial, commercial, and service facilities.

It also promotes projects for energy surplus exports, the so-called distributed generation. Surplus energy can be used by the electric system in a sustainable manner, such as in the case of commercial businesses.

In São Paulo (SP), the company helped implement the construction of an underground cogeneration plant in the Rochaverá office buildings. Rochaverá has four office towers with 8 MW of installed capacity in natural gas cogeneration, which powers the

towers' air-conditioning system with the thermal surplus of the generation of electricity alone.

NG applied to air-conditioning systems is another expertise of Comgás. Using the Gas Heat Pump (GHP) technology, natural gas is directly applied in the system, reducing the dependence on electric energy by 90%, and generating an average cut of 45% in the construction's power installation cost and contracted demand for energy. It also uses the hot water produced in the process, because it recovers the heat generated by the compressor's NG engine, resulting in an attractive operating cost of the project.

The GHP technology rationalizes the use of water, reduces energy consumption, and eliminates the use of chlorofluorocarbon gas (CFC), contributing to the LEED Certification (Leadership in Energy and Environmental Design), developed by the US Green Building Council. This technology was used in the Niterói 400 building in São Caetano do Sul (SP) and was awarded the "Abrava Seal - 2013 Highlight Febrava Innovation," granted to innovative initiatives.

## New gas applications

Comgás proposes innovative solutions for the use of gas. Commercial establishments, hotels, hospitals, shopping malls, and large buildings with a high flow of people can improve their energy management efficiency, for example, through cogeneration and air conditioning using gas.

Some 12,000 commercial establishments in Comgás's concession area already use piped gas. This number tends to grow as restaurants, bakeries and similar shops are finding out the advantages of using gas ovens. Gas ovens reproduce the heat of wood stoves and can be a more economical alternative to many existing restaurants in São Paulo, where over six thousand pizzerias are in activity.

Another group of customers that benefited from the expansion of Comgás coupled with its technological proposals was New Housing development projects, which include residential and commercial customers and consists of the construction of new buildings. New Housing programs are focused on the installation, Natural Gas Projects for New Buildings, and "Comgás Vida Nova," which offer special conditions for natural gas connections in social interest housing (HIS) projects.

### ENVIRONMENTAL PERFORMANCE

Part of Comgás's network is located within or next to different protected areas. The whole operation is licensed by the regulatory body, and an environmental impact assessment is performed before the networks are installed in protected areas.

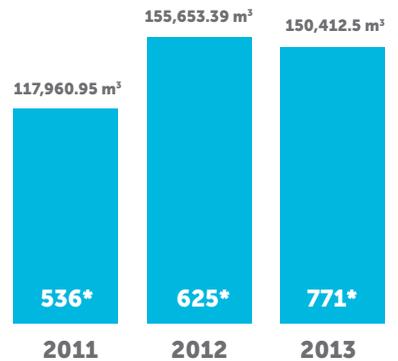
Operation in these cases consists in the distribution network crossing the areas, but the presence of the network has little environmental impact. One of the areas with the greatest biodiversity value is the Serra do Mar State Reserve, where the company has a nearly 13 km long network.

Comgás also operates in other protected areas, such as the APA Várzeas do Tietê (Sustainable Use Area), APRM Billings/Guarapiranga (Fountainheads Preservation Area), the Cantareira State Reserve (Integral Protection Area), and others.

Distribution networks are installed in public ways, in highway surroundings, or rights-of-way determined by a Utility Decree. Odorizing stations are located next to the city gates (points where Comgás receives the gas) in areas acquired by Comgás or in properties given by carriers.

The main cause for gas leaks in the distribution networks are damages caused by third-party activities. The key impact of these leaks is the emission of greenhouse gases. To minimize this impact, Comgás's target is to cut carbon-equivalent emissions by 4,051 tons in 2014, considering network renovation and repair actions and discounting damage-related leaks. The company has also disclosed the locations of its network to stakeholders, and it monitors construction works and interventions of other concessionaires that may interact with its network.

### Network leaks



\*The amounts correspond to total damages to the network and the volume leaked. Leaks related to corrosion, cracks, and joint degradation are not included.

RENEWING THE NETWORK AND BRANCHES ALLOWS FOR PRESSURE, CAPACITY, AND SAFETY TO BE INCREASED, AND ENVIRONMENTAL AND SUPPLY INTERRUPTION RISKS TO BE REDUCED



Comgás is ISO 14001 certified, and has mapped four environmental aspects deriving from its activities, which are frequently monitored:

- **Noise Pollution:** caused by the use of equipment that emit noise above the acoustic comfort limit (compressors, hammers, saws, and generators), Comgás reduces this impact preferably by using noise suppression equipment.
- **Odorizer Leak:** originally, natural gas has no odor and needs an odorizer to be added to it to help identify occasional leaks. Comgás has developed with suppliers an odorizing system for city gates, named closed circuit, which prevents odorizer leaks.
- **Waste generation and disposal:** All waste generated by Comgás's activities is selectively disposed. In 2013, 28,6712 kg

of recyclable material were collected, and Class I waste (lamps, batteries, anaerobic resin, paints, oils and industrial effluents) was properly disposed of.

- **Gas Leak:** it occurs due to damage to the network or corrosion, cracks, or pipe degradation. To reduce this impact, Comgás has a network renovation program to replace cast iron pipes with polyethylene pipes, and the Damage Prevention Plan with awareness actions for concessionaires and the public in general.

Initiative	Total	Reductions
Water use	13,585 m <sup>3</sup>	2.641,10 m <sup>3</sup> relative to reuse water utilization
Emissions	111,799.050 tons of GHG (Toe)	4,986.30 tons of GHG (Toe) referring to the renovation of the cast iron network and pipe repair



# RESULTS ACHIEVED WITH ATTITUDE

2013 results evidence our capacity to create value and invest in energy and supply infrastructure alternatives

In 2013, Comgás's gross revenues totaled R\$7,757 million, up 19% year-over-year (R\$6,520 million in 2012).

Net revenue from sales and services totaled R\$6,337 million, up 20% year-over-year (R\$5,279 million).

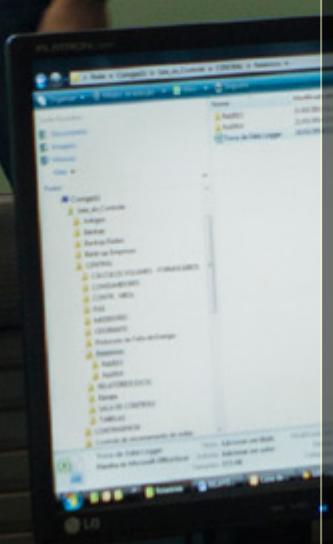
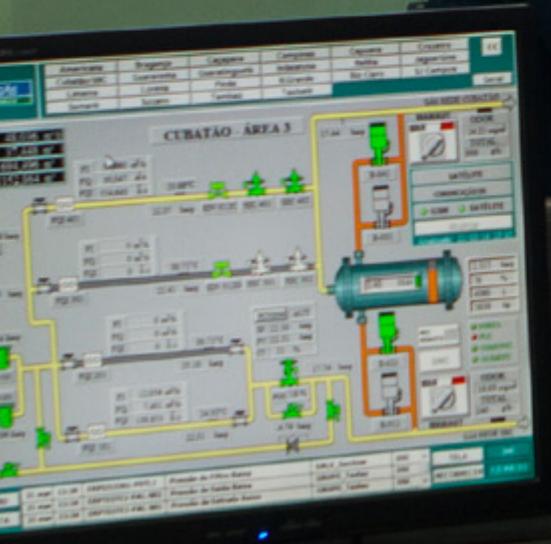
Adjusted EBITDA was R\$1,336 million, an increase of 13.6% over the R\$1,176 million recorded in 2012. Adjusted net income totaled R\$601 million (R\$619 million in IFRS), an increase of 14% year-over-year (R\$526 million in 2012).



**SHARING VALUE**

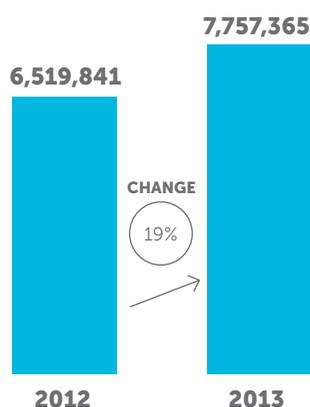
**R\$3.3 billion**  
invested in five years

**R\$113 million**  
invested in the RETAP

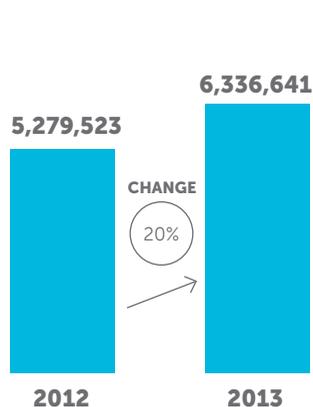


## Financial performance

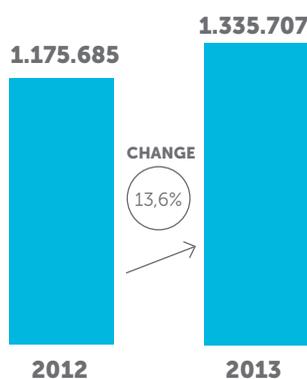
### Gross Revenue (R\$ million)



### Net revenue (R\$ million)



### Adjusted EBITDA (R\$ million)



### Adjusted Ebitda margin (%)

2012  
**22.3%**  
2013  
**21.1%**  
Change  
**-1.2 P.P**



### Funding Management

Comgás funding is made through the BNDES and international development agencies. Financing is used to support the natural gas distribution network's expansion, modernization and improvement.

In 2013, local currency debt totaled R\$1,795 million (debentures and leasing), representing 68% of total indebtedness. Comgás hedges 100% of the foreign exchange exposure for foreign currency debt. The net debt to EBITDA ratio improved from 2.26 in December 2012 to 1.49 in December 2013.

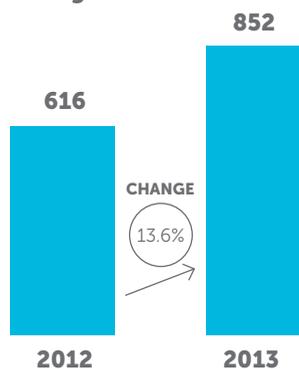
Indebtedness (R\$ million)	2012	2013	2012 x 2013
Short-term debt (includes debentures)	925,305	384,665	-58.4%
Long-term debt (includes debentures)	1,435,120	2,247,191	56.6%
Total Debt	2,360,425	2,631,856	11.5%
Cash and cash equivalents, and financial investments	169,725	535,957	215.8%
Net Debt	2,190,700	2,095,899	-4.3%
EBITDA (LTM)	967,553	1,403,249	45.0%
Net Debt/EBITDA	2.26	1.49	- 0.77 p.p.
Short-term debt/Total debt	0.39	0.15	- 0.24 p.p.



## Investments

Comgás invested R\$852 million in 2013, the largest amount ever invested by the company in one single year, and up 38% compared to 2012 (R\$616 million). Of total investments made during the year, approximately 64% was in gas distribution network expansion (1,629 km in the year). Another project that received large investments was the RETAP reinforcement, totaling R\$113 million in the year.

### Investments (R\$ million) Change: 38%



# CREATING VALUE FOR ALL

---

Comgás values the development of its professionals' skills in line with the business strategy, finding the best solutions for its clients, and creating sustainable relations with all stakeholders

---

**T**he main stakeholders of Comgás include clients, 1,210 direct employees, contractors that employ nearly 5,000 people, the government and the society. All of them are part in the Company's mission of democratizing the benefits of natural gas, taking modernity and development to the largest number of consumers possible.

Comgás strives to create value for all these stakeholders, taking care of the relationships, and developing sustainable partnerships and businesses in its whole chain.





**SUSTAINABLE RELATIONS**

**PEOPLE**

**0.08**

incidents per million  
man/hour worked

**GOVERNMENT**

participation in the

**Natural Gas**

Supporting Committee  
at the Legislature

**SOCIETY**

**R\$ 6.1 million**

allocated to support  
movie, music, culture  
and sports projects

**CLIENTS**

**93%**

satisfied with the  
company's services



### PROFILE: COMGÁS TEAM

Comgás's people management model keeps and develops the professionals' skills aligned with the business strategy, seeking high performance. The Comgás team is made up of 1,210 employees, and contractors that employ nearly 5,000 people, mostly concentrated in the metropolitan region of São Paulo.

As part of its relationship with the internal audience, Comgás has evaluation and professional development programs, a variable remuneration policy, and a performance analysis and career development - which considers the company's goals, the employees' individual goals and behaviors. The result of this evaluation influences the profit-sharing amount to be received by the employee.

### Benefits

Comgás offers a retirement plan covering 94% of its staff, considering the employees eligible to the plan. Employees may contribute up to 4% of their salaries to the plan, and Comgás contributes with twice that amount. Upon retirement, the employee can choose to receive a monthly income or redeem the accrued amount. The plan had a balance of R\$88 million as at December 31, 2013.

### Comgás Attitudes

Comgás promotes the development of its professionals and business based on **five attitudes**: Creating opportunities, Generating results, Growing partnerships, Playing together, Evolving with focus.

• **Creating opportunities:** Thinking innovation, being open to a new business or process improvements, envisioning solutions and exchanging ideas, or just thinking "why not." We have great knowl-

edge of the industry, market, and clients. It is essential to have the courage and to act collectively to propose new projects and be determined to accomplish them.

• **Generating results:** At Comgás, waste or average results are not tolerated. The team acts quickly and takes challenges on a personal level. We demand accountability for results, deadlines, risk management, immediate error correction propositions, and we always have a contingency plan.

• **Growing partnerships:** We act for the client, understanding its reality, in order to create mu-

tual value and offer high quality services. We build sustainable and prosperous relations with all stakeholders. This is a systemic way of thinking that deals both with the short and long terms. The relationships are based on trust and value for all.

• **Playing together:** This is Comgás team's motto. Based on trust and dialogue, the team is able to deliver top standard, consistent results. We promote respect for quality and diversity, give the example by acting collaboratively and expressing opinions with clarity so that there is individual growth and success without overriding the common good.

• **Evolving with focus:** Comgás is committed to high performance. To always improve, it is necessary to focus and act with simplicity. Aspects like safety and ethics are non-negotiable, just like learning from good internal and external practices, managing costs in an efficient and intelligent manner, following processes with discipline, and enduring to achieve the proposed goal.

## Key indicators in people management

	2012	2013		Total 2013
		Men	Women	
<b>Employees by functional level</b>				
Executive Officers	9	8	1	9
Managers	79	58	17	75
Heads/coordinators	57	32	20	52
Technical/supervisory	90	76	17	93
Administrative	452	204	262	466
Operating	354	347	25	372
Trainees	0	0	0	0
Contractors	0	0	0	0
Apprentices	17	7	13	20
Interns	83	66	57	123
Total by gender	1141	798	412	1210
<b>Total</b>	<b>1141</b>	<b>1210</b>		
<b>Employees by type of contract</b>				
Determined period	108	75	74	149
Undetermined period	1033	723	338	1061
Total by gender	1141	798	412	1210
<b>Total</b>	<b>1141</b>	<b>1210</b>		
<b>Employees by type of employment</b>				
Full-time	1139	795	408	1203
Part-time	2	3	4	7
Total by gender	1141	798	412	1210
<b>Total</b>	<b>1141</b>	<b>1210</b>		
<b>Employees by region</b>				
Sao Paulo Countryside	162	129	36	165
Santos	32	29	8	37
São Paulo	947	640	368	1008
Total by gender	1141	798	412	1210
<b>Total</b>	<b>1141</b>	<b>1210</b>		

<b>Layoffs by gender</b>	
Male	124
Female	104
<b>Layoffs by age</b>	
Under 30	134
31 to 50	68
Over 50	26
<b>Layoffs by region</b>	
Sao Paulo Countryside	34
Santos	4
Sao Paulo	190
<b>Hires by gender</b>	
Male	170
Female	128
<b>Hires by age</b>	
Under 30	235
31 to 50	61
Over 50	2
<b>Hires by region</b>	
Sao Paulo Countryside	35
Santos	7
São Paulo	256
<b>Turnover by gender (%)</b>	
Male	10.2
Female	8,6
<b>Turnover by age (%)</b>	
Under 30	11.1
30 to 50	5.6
Over 50	2.1
<b>Turnover by region (%)</b>	
Sao Paulo Countryside	2.8
Santos	0.3
São Paulo	15.7

## Relationship with stakeholders

Employees that received performance and career development analysis	2012		2013	
	Men	Women	Men	Women
Total employees	756	385	798	412
Number of employees submitted to performance and career development analysis	710	331	725	342
% by gender	94	86	91	83
<b>% Total</b>	<b>91</b>		<b>88</b>	

Hours of training per year	2012			2013		
	Employees	Hours	Hours/Employee	Employees	Hours	Hours/Employee
Men	756	15,343	20	798	13,641	17
Women	385	9,600	24	412	9,284	23
<b>Total</b>	<b>1,141</b>	<b>24,943</b>	<b>21</b>	<b>1,210</b>	<b>22,925</b>	<b>19</b>

Functional Level/Gender <sup>1</sup>	2012			2013		
	Employees	Hours	Hours/Employee	Employees	Hours	Hours/Employee
Managers	145	4,209.0	29.03	136	4,328.0	31.82
Non-managers	996	20,734.0	20.82	1074	18,597.7	17.32
<b>Total</b>	<b>1,141</b>	<b>24,943</b>	<b>21.86</b>	<b>1,210</b>	<b>22,925.70</b>	<b>18.95</b>

<sup>1</sup> Managers: executive officers, managers, heads, and coordinators. Non-managers: other functional categories.

## SUPPLY CHAIN AND PARTNER MANAGEMENT

Comgás has nearly 5,000 contractors working in external and internal civil construction works. They account for 12 million men/hours worked in one year, which shows how important this group is for the business.

The company develops, monitors, and manages suppliers as a preventive means of ensuring their sustainability, going beyond the internal work that involves processes and training.

All Comgás employees and contractors of civil construction and infrastructure works operating in the company's whole concession area, have a zero injury and high performance target, whose goal is to record zero incidents like injuries, explosions, or even interruption in gas, energy, and water supply.

Contractor hiring is made through formal documentation that ensure the contractor's commitment to the company's code

of conduct and principles. Once contracted, suppliers are evaluated and monitored on a monthly basis, in operating, customer relations and financial health terms. The group is also invited to discuss the performance with Comgás's Board of Executive Officers every month, occasion when the Health, Safety, Environment, Asset Quality/Integrity (SSMQ/IA) principles are reinforced.

Training is performed periodically on standards, safety practices, and procedures required by the company. The qualification process for meeting Comgás's Health, Safety, Environment, and Quality requirements generates strong partnerships with suppliers and support the growth of both.

# SAFETY: A NONNEGOTIABLE VALUE

Piped natural gas distribution is the key activity in Comgás's operations, and its impacts are assessed and mapped by the health and safety, environment, quality and asset integrity management processes. The Integrated Management System, implemented over 10 years ago, sets continuous improvement objectives and targets, with a reduction of occupational and operational incidents, with the stakeholders being direct employees, contractors, customers, third parties, and the public in general.

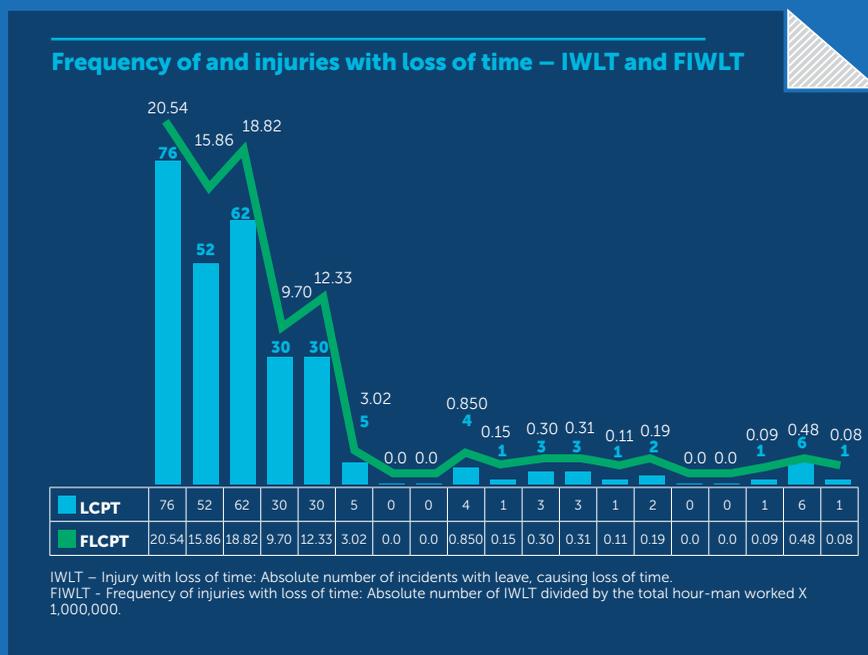
Already internalized in the organizational structure, the System has a series of indicators. One of them is the frequency of occupational incidents with leave; in 2013, there were 0.08 incidents per million hour-man worked, a figure that is comparable with the top oil and gas companies in the world.

In addition to people safety, there is also asset safety, which refers to the integrity of the network, which is in constant expansion. Represented by another indicator—the Asset Integrity basket—it recorded significant results in 2013. This is a result of the mitigation of risks to the natural gas distribution system, ensuring the network's maintenance,

the interface with other concessionaires, the minimization of third-party damage, the creation of operating training plans, and the reduced greenhouse gas emissions.

Comgás maps the risks at all stages of its activities—building, operating, and maintaining the gas distribution system. Through the Occupational and

Environmental Risk Prevention Program (PPRA), which is broken down into the Medical Control and Occupational Health Program (PCMSO), the Company monitors and develops actions to prevent the occurrence of occupational diseases in the workplace. No occurrence has been recorded in the last five years, and the goal for 2014 is to maintain this result.



Employees	2012					2013				
	Company Employees		Contractors		Total	Company Employees		Contractors		Total
	Men	Women	Men	Women		Men	Women	Men	Women	
Number of accidents <sup>1</sup>										
Concession Area	10	3	43	3	59	3	0	90	4	97
Injury rate <sup>2</sup>										
Concession Area	3.89	1.17	4.3	0.3	4.69	1.17	0	8.71	0.39	7.51

<sup>1</sup> Data includes small injuries requiring first aid, restricted work, and leave.

Comgás does not control lost days and the absenteeism rate. No occupational diseases or death occurred in 2013.

<sup>2</sup> The methodology for calculating the injury rate considered the number of accidents/hour-man worked \* 1,000,000.

### FOCUS ON CUSTOMERS



For each client, Comgás develops solutions that ensure comfort and efficiency. To serve its nearly 1,320 million residential customers, it invests in communicating how practical and safe piped gas is.

Almost 70% of all gas distributed by Comgás is to the industrial sector. 1,032 industries receive almost 3.8 billion m<sup>3</sup> per year, ensuring the businesses' efficiency and competitiveness. Proof of that is when a company considers the availability of natural gas as a prerequisite to install a new plant.

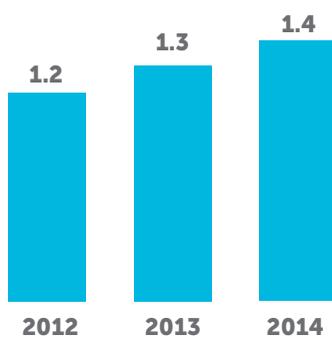
Real estate projects, hotels, hospitals, shopping malls, and large buildings can count on natural gas supply systems and improve their energy management efficiency through cogeneration and air conditioning using gas. Comgás provides technical support, ensuring greater competitiveness and preventing possible electricity supply failures.

Nearly 12,000 businesses within the company's network already benefit from the advantages of natural gas applications, such as in ovens (especially restaurants), refrigeration and air-conditioning (several types of commercial establishments).

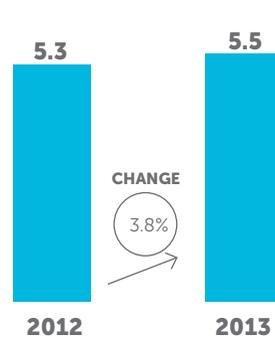
Natural gas vehicle owners are another strategic public in São Paulo. A network of more than 300 stations serves these customers. In addition to being cheaper, VNG is cleaner and has a smaller impact on the environment.

Comgás publishes information for customers on its website ([www.comgas.com.br](http://www.comgas.com.br)) and smartphone application that include safety tips, economy, rates, and building instructions.

Clients (million)



Volume (billion m<sup>3</sup>)



## Customer satisfaction survey

The Customer Satisfaction Survey is made every year using forms to be applied door-to-door or on the phone with residential, commercial and industrial customers.

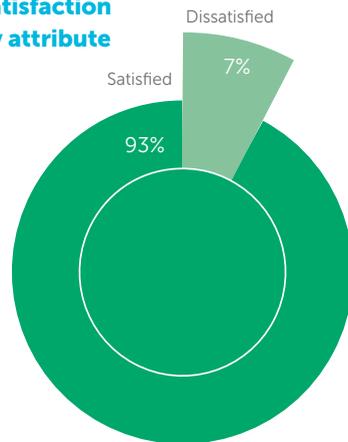
Conducted for 14 years, it is a quantitative survey with a sample of 1,159 interviews, maximum error of 4%, and a reliability rate of 99%. The survey is made in São Paulo, São José dos Campos, Santos, and Campinas. This study also focuses on the attributes Arsesp considers important.

The questionnaires are customized by type of client and evaluate 29 impact and 13 image attributes. Sample selection is random and based on Comgás's customer list—men and women, companies of different sizes and from different sectors.

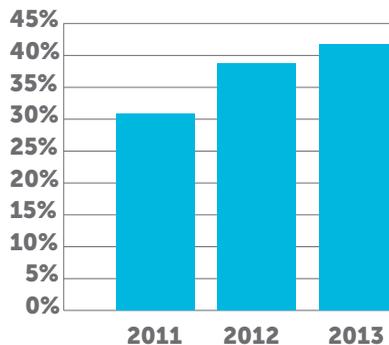
Overall, the services provided are well evaluated, ranging from "good" to "very good." Customer perception of the brand's image is also very positive. Residential clients prioritize attributes like safety, practicality, and price. For commercial and industrial clients, on the other hand, what matters most is service agility, clarity, and efficiency.

For residential clients, the exclusive use of gas in stoves (41%) has been decreasing compared to previous years, indicating a better penetration for other natural gas uses. Using natural gas to heat water increased a significant 12 p.p., from 8% in 2012 to 22% in 2013. Using it to heat shower water has also continued to increase—from 31% in 2011, to 39% in 2012 and 42% in 2013.

### Satisfaction by attribute



### NG used to heat shower water



Comgás customers also have a 24/7 support center available by phone at 08000 110 197).

# CUSTOMER HIGHLIGHTS

- Record in residential customers connections, with over **117,000 homes connected** in the year
- Record in commercial sector connections, with over **1,000 clients connected** in the year
- Year-over-year increase of 22% in the score in the **"Companies that Respect Consumers the Most"**
- Ombudsman processes and team restructuring, helping the company respond to **100% of the claims received by ARSESP** within the agreed deadlines



## **PARTNERSHIPS DEVELOPED**

**C**omgás is a provider of a public utility, regulated by the São Paulo State Sanitation and Energy Regulatory Agency (ARSESP), and it strives to bring natural gas democratization to discussions with the government and the society. In order to do so, it communicates in an effective manner the value of natural gas, its contributions to development, comfort and efficiency generation, thus working to change the market's perception of the product and service. Gas is one of the top priorities of the government; therefore, Comgás maintains an open dialogue and works together with the government and ARSESP.

Through important projects for the society, such as the strong expansion of the natural gas networks in the state of São Paulo, it gained the sup-

port of the Ministry of Mines and Energy, and approval for an issue of debentures to fund the 2014 expansion program.

Another important work that started in 2013 was the formation of the Natural Gas Supporting Committee at the Legislature, a group of state representatives aiming to increase natural gas use and diversify its applications. Comgás follows the debates on the matter, defending natural gas as a strategic fuel in the energy matrix of the state of São Paulo and the country. The Company has also created an advisory committee to advise on strategic matters of the gas sector.



### **Relationship with the society**

In 2013, Comgás invested nearly R\$6.1 million to support movies, music, culture and other projects, including subsidized and own resources.

It also invested R\$5.6 million in the construction of the Cândido Portinari Park in São Paulo.

Also in 2013, Comgás invested resources, through state and federal culture incentive laws, to contribute to the construction of the Sugarcane Museum in Piracicaba. The company also invested in the Pelé Museum, in Santos, to complete the project for the restoration of the building and sport valuation, a commitment taken on by Comgás through state and federal culture incentive laws.

R\$6.1 MILLION  
INVESTED TO  
SUPPORT MOVIES,  
MUSIC, CULTURE  
AND OTHER  
PROJECTS,  
INCLUDING  
SUBSIDIZED AND  
OWN RESOURCES

### CLIENTS

**Over  
1.3 million**  
residential clients

**64**  
new industries

Clients in

**70**  
cities

**Record  
high with  
67 thousand**  
connections  
in new buildings

### LARGE NUMBERS

**1,210**  
direct employees and  
nearly 5,000 contractors

EBITDA adjusted by  
the regulatory current  
account:

**1,336 billion**

**100%**  
of the network is  
mapped and digitally  
georeferenced

**5,4 billion**  
cubic meters delivered

NETWORK EXPANSION

**R\$ 852  
million**

invested in the expansion  
of the distribution network

Distribution network totals

**10,938 km**

**1,629 km**

added to the network,

**57 km**

renovated

**160 km**

of steel network built

INVESTMENTS

**R\$ 3.3  
billion**

invested in five years

Completion of  
RETAP reinforcement,  
investment of

**R\$113**

**million**

in 2013

