COMGÁS
Natural

annual report **2011**

KEY INDICATORS

In millions of cm	2009	2010	2011
Total volume	4,261	4,910	4,835
Industrial	3,314	3,688	3,851
Residential	144	163	183
Commercial	95	101	108
Vehicle	369	318	291
Thermoelectric generating	21	308	56
Cogeneration	318	332	346

Number of customers			
Residential	869,138	977,750	1,087,705
Commercial	9265	9760	10,381
Automotivo	373	367	357
Industrial	973	982	1,002
Cogeração	23	23	23
Thermoelectric generating	2	2	2

Financial Performance R$ million	2009	2010	2011
Stockholders' equity	1,304	1,376	1,246
Total assets	3,760	3,848	4,308
Investiments	409	405	510
Gross revenues	5,161	5,101	5,112
Net revenues	4,116	4,095	4,103
Gross profit	1,672	1,520	1,106
Operational income (before financial result)	1,155	972	476
EBITDA (*)	1,363	1,188	716
Net income	690	580	236
Gross debt	1,649	1,500	1,874
Net debt	1,456	1,354	1,833
Dividends proposed	28.1	83.70	0
Total remuneration paid to Shareholders	264.11	419.17	443.86
Dividends paid during year	199.9	365.0	379.91
Interest paid on own equity during year	64.3	54.57	63.94
Environmental investments	3.9	3.9	2.6
Breakdown of value added	1,889.70	1,676.38	1,071.67

(*) As per Federal Accounting Council Resolution (CFC) No, 1159 dated Feb 13. 2009. we ended separation of revenues and expenses into operating and nonoperating items, MP 449/08. Articles 57. 58 and 59

Other financial data	2009	2010	2011
Current Liquidity	0.67	0.68	0.59
Return on net assets (%)	52.96	42.14	18.95
Net debt/ EBITDA (%)	1.09	1.15	2.56
Gross margin (%)	40.62	37.11	26.96
EBITDA margin (%)	32.38	28.85	29.01
Net margin	16.76	14.16	17.46
Net earnings per share (R$)	5.76	4.84	1.97

Employees	2009	2010	2011
Number of employees	948	979	1,019
Number of outsourcers	3,543	4,170	3,702
Productivity (millions of cm/Comgás employees)	4.5	5.0	4.7

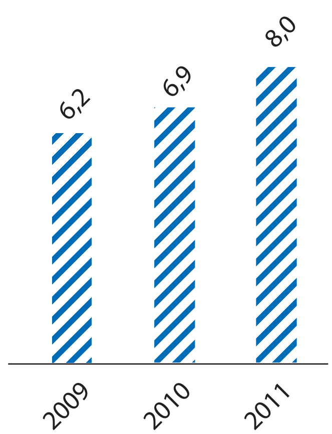
Concession area

Comgás concession area detains
27% of Brazil's GPD

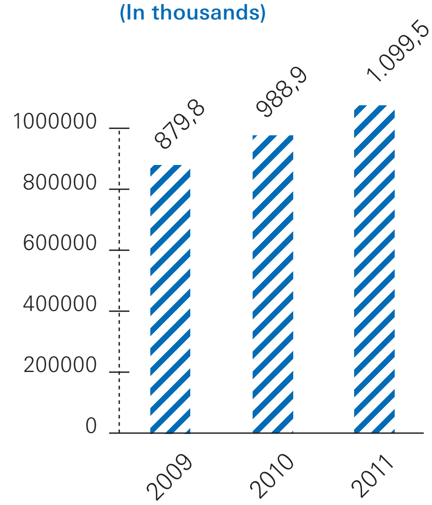
Volume distributed per segment R$ million	2010	2011	2011/ 2010
Residential	162,8	183,0	12%
Commercial	101,2	108,3	7,0%
Industrial	3.688,1	3.850,9	4,4%
Cogeneration	332,6	345,8	4,0%
Automotive	317,7	290,9	-8,4%
Total	**4.601,3**	**4.778,9**	**3,8%**

Indebtedness composition

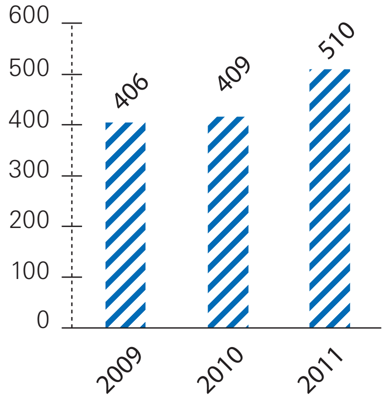
Network extension
(In thousands km)



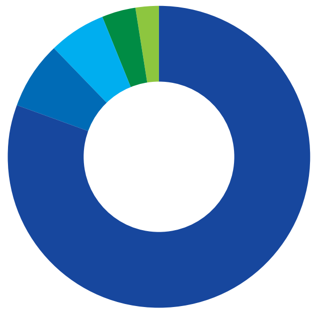
Total of consumers
(In thousands)



Investments
(R$ million)



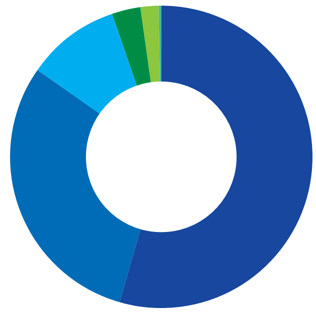
Volume per segment



81%	Industrial	3.850.930
7%	Cogeneration	345.754
6%	Automotive	290.878
4%	Residential	183.028
2%	Commercial	108.272

Total: 4,77 billlion of cm

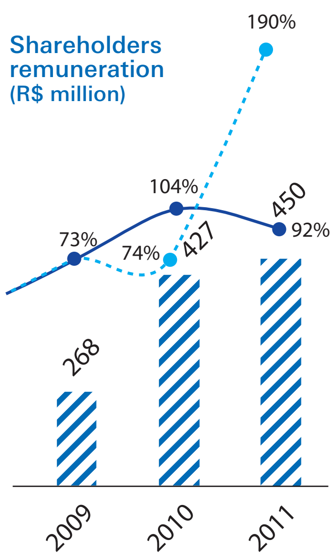
Margin per segment



55%	Industrial
30%	Residencial
10%	Comercial
3%	Cogeração
2%	Automotivo
0%	Termogeração

Total: R$ 1,5 billlion

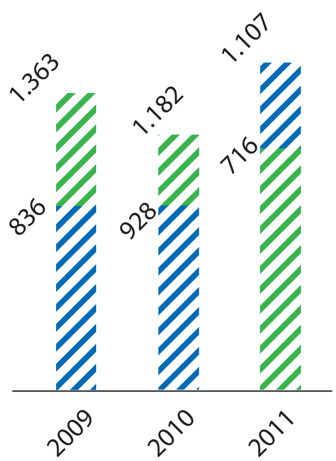
Shareholders remuneration
(R$ million)



Payout IFRS

Payout
Normalized by regulatory current account

EBITDA
(R$ million)

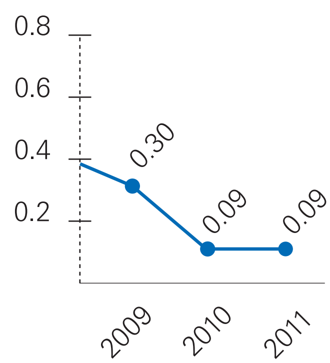


IFRS

Normalized by regulatory current account (unaudited)

TRCF
Comgás + Outsources

TRCF – Total recordable cases frequency.



ANNUAL REPORT 2011

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ABOUT THIS REPORT

This annual report shows the principal initiatives taken by Comgás on the economic, social and environmental levels from January 1 through December 31, 2011, as well as their outcomes or results. The report follows guidelines proposed by the third version of the Global Reporting Initiative (GRI) for an application level C self-declared company. The responses in this document cover 38 essential and 25 supplementary indicators, relating to all the company's operations without any limitations. There were no significant changes compared to previous documents, nor was there any need to reformulate information provided in the latter. Comgás' report is published annually and the previous one was issued in April 2011.

To define the contents shown hereunder, we covered demands, comments, suggestions, criticisms and observations noted in the course of the year through the company's channels for interaction with its stakeholders: customers, society, suppliers, governments, shareholders, investors and internal stakeholders. Data collection and information was undertaken by employees from different areas of business. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS), CVM instructions 457/07 and 485/10, and audited by PricewaterhouseCoopers.

The reporting format was designed to strengthen one of the main characteristics and ambitions of Comgás: being safe and secure. This intention is shown throughout the document by information and data relating to practices aimed at ensuring integrity for assets and people, and their results. Also reported are facts and decisions that helped to broaden the company's stability for the economic, environmental, and socioeconomic impacts of its activities.

Clarifications or suggestions regarding this document may be requested or made by e-mail imprensa@comgas.com.br. The company's Communications team replies to messages.

MESSAGE FROM
THE BOARD OF DIRECTORS

There are many reasons for 2011 being a milestone in the history of Comgás. Correctly defining its strategy for sustainable development enabled the company to maintain a satisfactory pace of growth and reach major milestones, such as having 1 million customers in its base, keeping the focus on safety, the main value that guides our parent company, the BG Group. By pursuing the adoption of best practices for management and corporate governance, we continually gained robustness and efficiency, and earned the trust of our stakeholders. As a result of these accumulated achievements, Moody's Baa3 rating on our business was ratified.

Even in the midst of a turbulent international economic environment, we recorded a satisfactory performance in the industrial sector, based on our credibility for our business partners, the competitiveness of our solutions and our ability to detect markets and potential for natural gas. Our offer of differentiated products and services at competitive prices, reflected in commercial and residential markets - a major focus of our growth strategy due to its great potential: over the last three years at least 100,000 new homes are being added to our customer base.

Alert to opportunities to enhance relationship with investors, shareholders and markets, we conducted a feasibility study for the migration of our shares to the BM&FBOVESPA's Novo Mercado listing segment. Having completed our analysis, we announced the results of this process showing that migration may be beneficial for our organization and our shareholders through benefits such as enhanced governance and higher levels of liquidity for our stock. In the same period, we distributed a record amount of dividends and interest on equity to our shareholders: R$ 450 million. Our payout reached 190%, also the highest in the history of Comgás.

We will continue to plan the future for Comgás while focusing on earning the admiration and respect of the citizens of the state of São Paulo. As managers of a public service, we are aware of the scale of our responsibility. Therefore, we strive to fulfill our mission, which includes making available a safe, reliable, competitive service for our customers and partners that exceed their expectations, through ethical work that respects the environment and our professionals. I would like to thank all those who have helped on this journey.

Nelson Silva
Chair of the Board of Directors

IN 2011, COMGÁS REACHED AND BEATED THE MILESTONE OF 1 MILLION OF CUSTOMERS CONNECTED AND LAID MORE THAN 1,000 KM OF DISTRIBUTION NETWORK. WE ALSO CELEBRATED BEATING THE 10,000 MARK FOR COMMERCIAL CUSTOMERS.

MESSAGE FROM **THE PRESIDENT**

The year 2011 was marked by important achievements. One of them was reaching and beating the milestone of 1 million customers connected and the record extension of our distribution network. This year we laid 1,100 kilometers of new pipeline and connected 110,586 new customers. We celebrated beating the 10,000 mark for commercial customers and recorded impressive results in increasingly competitive segments such as cogeneration and HVAC. The facts show that we made the right strategic decisions and did the planning to put them into practice - such as regionalizing operations and focusing more strongly on the residential market.

It is the ability to adopt effective measures that strengthens us as a safe and secure company in many different ways, especially in the sense of avoiding accidents or injuries affecting any of our 1,019 employees. We continue to pursue the utopia of "Zero Injury with High Performance". This is an obsession for us and we materialized this aim by getting 10.6 million hours of work done with only one incident involving time off work. Although that number was recorded in the context of an aggressive expansion plan for our network, it shows that we still have improvements to make. This includes continuing to hold monthly meetings with our suppliers to improve the contractor-monitoring program, as we did in 2011, and getting everybody to attach even more importance to safety. In this respect, we started to formulate a safety value proposition, which will be used as the basis for our strategy of mobilizing on this issue, starting in 2012.

We believe that pursuing our "Zero Injury" target means looking after customers too. We continued to inspect and survey our pipeline networks, provide advice for caretakers of buildings and condominiums, and renovate piping and tubing: in 2011 alone, we replaced 71 km of cast-iron pipes and renovated over 500 km of pipeline network. Our customer service channels are also available 24 hours a day to respond to demand from the public. We further extended our regionalization strategy and set up new operational centers in Campinas and São José dos Campos, so their proximity to customers will mean faster service. These initiatives were reflected in the 92% score on a satisfaction survey conducted by the State of São Paulo Sanitation and Energy Regulatory Agency (local acronym ARSESP): this was the highest we have ever obtained and was 7 points up on the previous year's. In 2011 we adopted the slogan "Natural in your life", which translates what we aspire to be for the people of the state of São Paulo.

Other numbers referring to financial and economic performance show the strength and stability of our business. Net income was 0.02% up on the previous year, at R$ 4.1 billion and we invested R$ 510 million - a record in our history. Most of it was spent on construction work to extend the pipeline network. To ensure future supplies for the São Paulo metropolitan region, Comgás started the procedure to obtain an environmental permit for the project of strengthening the High Pressure Tubular Network (local acronym Retap), which will expand our distribution capacity by 4 million cm per day by the project's completion date in 2013.

We also worked to make society safer by developing and leading projects that provide new perspectives for those residing in our concession area and enable people to articulate and multiply good practices in their communities. A highlight of the period was a festival alluding to the tenth anniversary of the Comgás Apprentice Project, which celebrated the fact of over 3,200 young people and 500 teachers being benefited in 15 cities. We also resumed the practice of making awards for initiatives submitted by Apprentice Project participants as a way of recognizing and appreciating their work. In addition, we launched our sociocultural network project enabling entrepreneurs in the municipalities covered by our concession area to format initiatives and apply for funds offered in tenders, such as the Comgás Sociocultural Sponsorship Fund. In 2011, through this fund, we allocated R$ 1.5 million to support ten projects that were selected from 288 applications.

These and other good results for the period are due to the dedication of our employees. We are

WE FURTHER EXTENDED OUR REGIONALIZATION STRATEGY AND SET UP NEW OPERATIONAL CENTERS IN CAMPINAS AND SÃO JOSÉ DOS CAMPOS, SO THEIR PROXIMITY TO CUSTOMERS WILL MEAN FASTER SERVICE. THESE INITIATIVES WERE REFLECTED IN THE 92% SCORE ON A SATISFACTION SURVEY CONDUCTED BY THE STATE OF SÃO PAULO SANITATION AND ENERGY REGULATORY AGENCY (LOCAL ACRONYM ARSESP): THIS WAS THE HIGHEST WE HAVE EVER OBTAINED AND WAS 7 POINTS UP ON THE PREVIOUS YEAR'S.

on the right road in terms of people management and our surveys provide data to back even stronger initiatives in terms of the right conditions for the well being and development of our employees. In this respect, we held 53,680 hours of training sessions in the year and broadened dialogue by introducing monthly meetings between staff and representatives of senior management.

Through these achievements, we helped ensure good prospects for the coming period, and I believe we will maintain our growth trajectory. The discovery of new natural gas reserves - in basins near the area in which we are active - and the strengthening of natural gas as a source of cleaner and more efficient energy, makes us more confident that Brazilians will increasingly be demanding our products and services. For this opportunity to be converted into benefits for everyone, we hope to continue enjoying the support of our employees, customers and shareholders, who are our source of energy.

Luis Domenech
President of Comgás

PROFILE

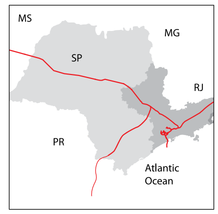
Largest distributor of piped natural gas in Brazil, Companhia de Gás de São Paulo - Comgás operates in a concession area covering 177 municipalities in the state of São Paulo that accounts for 27% of the nation's Gross Domestic Product (GDP). The company is present in 70 of them to serve the residential, commercial and industrial segments, and provides natural gas to power vehicles and fire thermoelectric power plants and cogeneration plants. In 2011, it distributed 4.8 billion cm of gas through 8,000 km of pipeline network. Its customer base surpassed 1 million with the addition of 109,900 residential customers in 2011 alone.

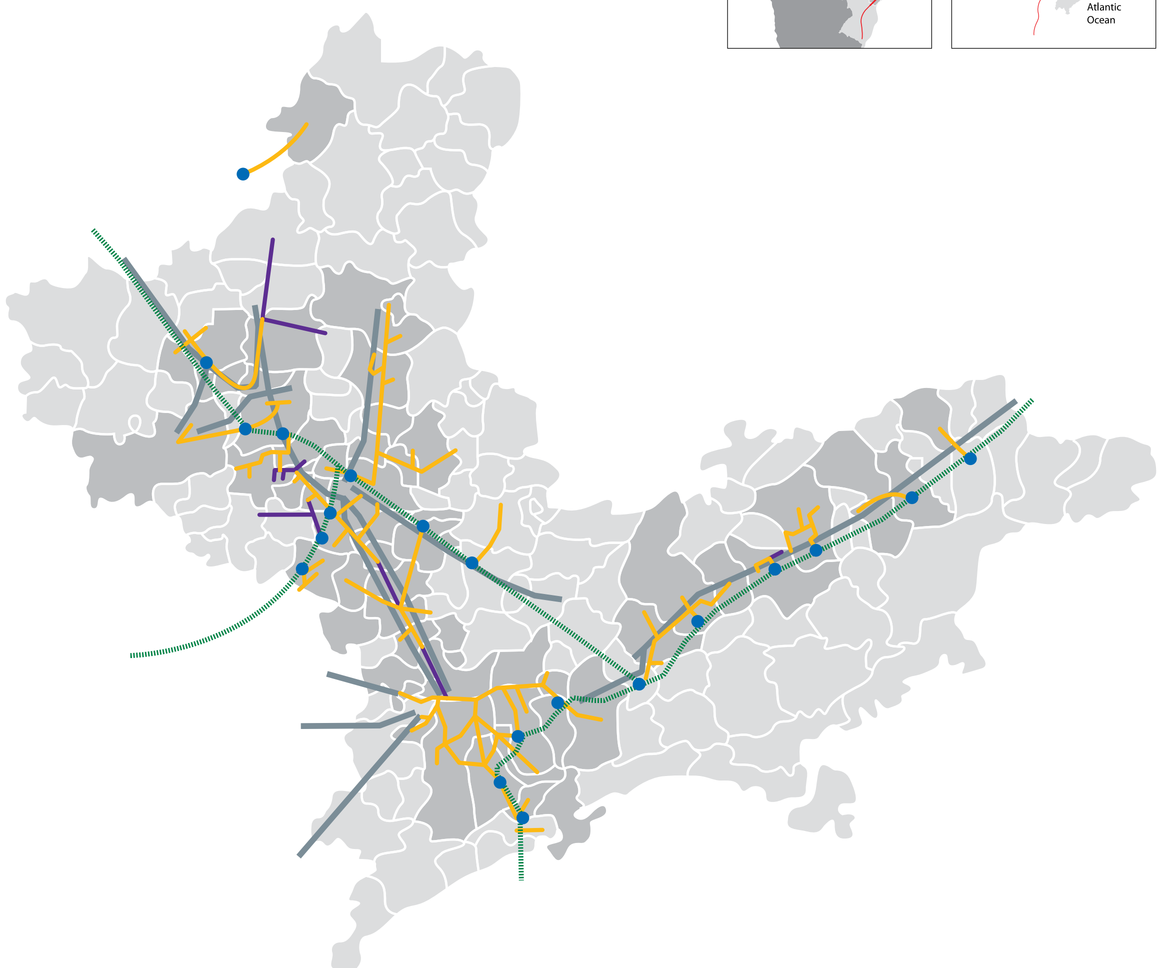
The company's headquarters are in São Paulo, as is its São Paulo Metropolitan Region Operational Center (we refer to the latter by its local acronym, CORMSP). The other two were inaugurated in 2011, in Campinas and São José dos Campos. There are also eight regional offices. This structure is run by 1,019 professionals with 3,702 outsourcers from partner companies. They all work in line with the "Zero Injury with High Performance" watchword, reflected in the low numbers of operational accidents and the numbers for revenue and net income the company reported for 2011: R$ 4.1 billion and R$ 236 million respectively.

Comgás complies with industry standards stipulated by the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP), which is the body in charge of the concession to distribute natural gas in the São Paulo and Campinas metropolitan regions, and in the Santos and Paraíba Valley areas. The concession agreement has been in force since the company was privatized in 1999 and will terminate in 2029 with an option to renew for another 20 years.

The company's shares have been traded on BM&FBovespa under the symbols CGAS3 (common stocks) and CGAS5 (preferred) since 1997. Of the company's share capital, 71.9% is held by Integral Investments, consisting of the BG group (BG São Paulo Investments B.V.) and Shell (Shell Gas B.V.) with 83.5% and 16.5% respectively. Shell Brazil Holding B.V. holds 6.3% of the shares, and the remaining 21.8% are held by other investors. In 2011, Comgás announced its intention to join the Novo Mercado listing segment of BM&FBovespa for companies committed to the highest standards of corporate governance.

Map showing Comgás 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

Maintain Comgás as sponsor of sustained growth, meeting the expectations of shareholders for results, adopting best practices for management and complying with regulatory and legal obligations.

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

Work 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 distributor of natural gas in Latin America, providing this service efficiently for everybody, being a reference in the market and generating value for our customers, shareholders and society as a whole.

Ethics Acting with honesty, integrity, transparency and professionalism in all our relationships and activities within and outside the company.

Safety Ensure the everyday integrity of people and assets, through attitudes and behaviors to reach Zero Injury.

Social Responsibility Act with respect for the environment and integration with local communities.

Customer Orientation Recognize that the customer is our reason for existing and focus our actions on exceeding customer expectations.

Teamwork Integrated and cooperative working relations between people and business areas, with clear and transparent communication, aiming to achieve organizational objectives.

Innovation Encourage the creation and implementation of new ideas, challenging existing practices and striving for continuous improvement in order to reap benefits for the business and day-to-day activities.

Commitment to Results Achieve the targets we have agreed to, in accordance with standards set for quality, time frames and cost.

Empowerment Working in an environment in which decision making is encouraged, with ownership and responsibility, in a mood of trust, fostering everybody's involvement with, and commitment to, the company.

Respect for people - Recognizing the value of individuals, their differences and needs, and their contributions and providing fair working relationships, challenging and conducive to personal and professional development.

SAFETY IN BUSINESS

In 2011, Comgás connected a **record number of new customers and pipeline networks**, while logging **9,1 million man/hours worked without an accident**


9,1
millions
man/hours worked
without an incident

DEMAND **OF GAS**

The year 2011 was marked by growing demand for natural gas in almost every segment. The exception was the thermoelectric plant - with a 37% fall in daily volume - due to substantially reduced orders in comparison with 2010 because of better rainfall levels. The impact of this segment is reflected in the data of the Brazilian Association of Piped Gas Distributors (Abegás): average daily consumption for the year was 47.6 million cm, or 5.3 million cm less than in the previous period. The cumulative total distributed in the period was 17.4 billion cm, or 9.8% less than in 2010 (19.3 billion cm).

The industrial sector, which consumes approximately 60% of natural gas in Brazil, saw demand up 9.9% for the year with a daily average of 28.8 million cm; the 2010 average was 26.2 million cm/day. Volume supplied to the residential segment ended the year at 871,100 cm/day. Commercial establishments averaged 682,700 cm per day. The automotive sector's daily average demand for CNG was 5.5 million cm and remained in line with 2010.

Pipeline distribution networks were extended by 1,600 km in the period according to industry association Abegás, taking total pipeline length to 20,900 km by the end of the year (7.9% more than in 2010). Comgás accounted for 45% of all new lines installed.

The state of São Paulo accounts for approximately 55% of Brazil's consumption of natural gas and has three concession areas for the distribution of piped natural gas, which are operated by three companies: Comgás, Gas Natural São Paulo Sul, and Gás Brasiliano.

Natural gas provided 10.3% of all domestic energy supplied according to figures from the latest Natural Energy Balance report. The indicator for 2010 (the most recent data available to us in January 2011) reflected growing industrial demand for natural gas in that year, due to recovery in various sectors as well as a 180% increase in thermoelectric generation.

Perspectives

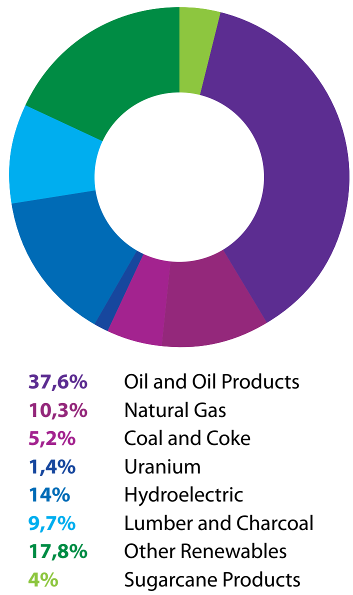
More than 2 million consumers use natural gas and the Brazilian Association of Piped Gas Distributors (Abegás) estimates the total will reach 3.3 million by 2020.

At the end of 2011, the International Energy Agency (IEA) released its World Energy Outlook report, which predicted that global demand for energy would grow by one third from 2010 through 2035. Brazilian demand is expected to rise 78% over the same period, making it the second largest user worldwide, after India.

In this scenario, the IEA emphasizes the key role of natural gas, which is probably the only fossil fuel whose share of energy use globally is increasing. The organization suggests gas may be entering a "Golden Age" and reports various factors pointing in this direction, such as: the level of economic activity, with a possible increase in demand due to the heated housing market and growth of commercial and industrial activities, with the use of natural gas for heating or power generation, both in countries with more mature economies and those experiencing accelerated growth; natural gas is a very competitive product in relation to other sources of energy; and environmental aspects, since natural gas has less impact than other fossil fuels.

PIPELINE DISTRIBUTION NETWORKS WERE EXTENDED BY 1,600 KM IN THE PERIOD ACCORDING TO INDUSTRY ASSOCIATION ABEGÁS, TAKING TOTAL PIPELINE LENGTH TO 20,900 KM BY THE END OF THE YEAR (7.9% MORE THAN IN 2010).

Nacional Energy Balance 2011



Source: BEN 2010
[Nacional Energy Balance 2010]

COMGÁS **STRATEGY**

Comgás' strategy for staying in the lead of natural gas distribution in Brazil and being a benchmark for safety and innovation has proved to be correct. One of its main pillars is expanding operations particularly in the residential market, where growth over the last three years has enabled the company to connect more than 100,000 new customers annually.

The company works to provide universal access to natural gas in the different segments it serves. Comgás aims to honor commitments assumed with the regulatory agency (ARSESP) as noted in its 2009-2014 Five Year Plan, and even surpass them where possible. Taking the base year of 2009, it set a target of reaching the end of 2014 with 5,000 km of new pipeline and 282 km of renovated pipeline. Another target is to get 500,000 new customers connected, which is 200,000 above the number stipulated by the regulator.

To deliver on these aspirations, the company is following a Strategic Radar plan defined by management, which sets 20 priorities in 6 major areas: Health, Safety, Environment, and Asset Quality and Integrity; Expansion; Regulatory and Institutional; Relationship and Loyalty; Gas Supply; and People.

Since 2009, Comgás has been regionalizing its activities. The goal is to enhance processes, systems and organizational structure while increasing synergy across these elements. In 2011, continuing with this aim, two operational centers were inaugurated: one known as the Interior operations center (IOC) in Campinas, and the Valley operations center (COV) in São José dos Campos. The units centralize all company activities in their regions in one single place. In addition to the new operation centers, we have six units for Sales and Expansion in the cities of São Paulo, Santo André, Santos, Mogi das Cruzes, Taubaté and Jundiaí.

Comgás develops extensive field research to pick the best opportunities considering distance from the network, population density, socioeconomic profile, and propensity to consume in the cities of its concession area. The study includes perspectives for economic development in these localities and their potential for integrating different market segments. On this basis, it hopes to capture all business opportunities (industrial, CNG, commercial and residential) in the same region.

TAKING THE BASE YEAR OF 2009, IT SET A TARGET OF REACHING THE END OF 2014 WITH 5,000 KM OF NEW PIPELINE AND 282 KM OF RENOVATED PIPELINE.

MANAGEMENT **TOOLS**

To monitor its work and performance, Comgás uses a scorecard for objectives related to safety indicators, financial performance, operational excellence and strategic goals. The profit sharing program is based on this system and reaching the desired results, directors and officers and employees.

One of the management tools, also used to encourage engagement, is a performance agreement signed by all employees to set clear corporate priorities on four levels:

• Scorecard: Corporate objectives, defined in accordance with strategic directioning, requiring the commitment of every employee.

• Objectives by business area: These are targets set for each area, which, to be achieved, require the work of every member of the organization.

• Individual Goals: These are goals set by professionals together with their managers.

• Assessment of competences: Evaluate the application of behaviors defined in our dictionary of values and behaviors that are taken into account for developing all activities of professionals.

VAF

Investment decisions are supported by the use of Value Assurance Framework (VAF) to ensure the delivery and execution of projects and consistent and adequate information for decision making. It enables us to gather data to assess the balance between opportunities and risks and the contributions of all those involved. Items in each proposal are reviewed in detail and analyzed by different business areas from different standpoints.

ONE OF THE MANAGEMENT TOOLS, ALSO USED TO ENCOURAGE ENGAGEMENT, IS A PERFORMANCE AGREEMENT SIGNED BY ALL EMPLOYEES TO SET CLEAR CORPORATE PRIORITIES.

DNA II

In 2011, Comgás concluded 93% of initiatives under the DNAII project, which aimed to improve customer service and billing processes by introducing SAP modules for Customer Relationship Management (CRM) and Customer Care Solution (CCS) in 2009. The study included developing improvements mapped previously adjusting systems environments and personnel training, while revising processes for managing customer demands, and is to be completed by March 2012, thus providing tools for efficiency and accuracy gains.

INTANGIBLE **ASSETS**

Comgás holds a number of assets that contribute to added value for its business even though they are not measurable. Highlights among them are:

Brand

In 2011, we started brand repositioning by changing the format of the logo and including a signature: "Natural in your life". The altered format highlights the company name; the signature strengthen its presence in the everyday life of the people of the state of São Paulo, who use natural gas at various points in their everyday lives: cooking, showering, switching on air-conditioning and driving vehicles powered by CNG, among others.

Natural na sua vida.

R&D

In 2011, Comgás allocated approximately R$ 4 million to R&D and its program for rational use of natural gas, as required by the regulator (0.25% of "annual effective margin"). Since it was started in 2004, the initiative has been funded with approximately R$ 26 million to develop 99 projects, of which 46 are still in progress.

The R&D area selects projects attuned with the company's objectives and guidelines. On this path, the results obtained from two 2011 projects are good examples:

• The project to power stacker trucks with natural gas, which included the participation of the Italian company SAFE, a leading manufacturer of compressors in Europe, the Federal University of São Carlos (Ufscar) monitoring data and measuring consumption, also in partnership with publisher IBEP, a Comgás customer, which provided stacker trucks for conversion and the space to install a compression unit. The final results showed savings for the customer of around 30% compared to LPG. These results have led to initiatives to disseminate the new technology among potential customers.

• The Integrated Measurement Unit (IMU) was the result of another project, whose goal was to find a viable solution for installing meters outside apartments, a long-standing problem for construction companies erecting residential buildings. In partnership with SABESP (water supplier), the project looked at integrated installations of gas and water meters. By using IMUs, builders will provide residents with safer and more convenient metering facilities. Comgás will be able to meter each apartment's consumption and relate directly with each household through individual bills and invoices.

Awards, recognitions and certificates

ISO 14001 - The company's recertification means that it has shown environmental responsibility in developing its activities.

Modern Consumer - for the sixth consecutive year, Comgás featured as the company that most respects consumers in the piped-gas sector. The award is made by Consumidor Moderno [Modern Consumer] magazine.

Safety Achievement Award - For the fourth straight year Comgás took the award made by the American Gas Association (AGA), for having obtained the lowest level of reportable incidents involving loss of time, restricted working, or job transfer.

Innovation Awards - made by BG Group, for the Comgás program Mais Viver na Maturidade ["more lively maturity"].

MasterInstal - two case studies earned MasterInstal awards presented by the gas fitters organization Sindinstalação: one in the "installation project" category and the other in "applied technology for installations".

Aberje - the project named "Memory of Gas - the future always present" earned an Aberje award in the regional and nationwide stages of the "Historical Responsibility and Corporate Memory" category.

Diversity Seal -The government of the state of São Paulo and its Institutional Relations bureau awarded Comgás a Diversity Seal for the third consecutive year, in recognition of its work developing programs, projects and activities to foster and value diversity in the environment and local surroundings.

FOR THE FOURTH STRAIGHT YEAR COMGÁS TOOK THE AWARD MADE BY THE AMERICAN GAS ASSOCIATION (AGA), FOR HAVING OBTAINED THE LOWEST LEVEL OF REPORTABLE INCIDENTS INVOLVING LOSS OF TIME, RESTRICTED WORKING, OR JOB TRANSFER.

OPERACIONAL **PERFORMANCE**

The maturity of the regionalization process, which has been underway for two years, enabled Comgás to grow its customer base past the 1 million mark. Growth was supported by record investment to extend the pipeline network by 1,100 km in 2011, to a total of 8,025.5 km. The company currently serves 70 municipalities in its concession area. In 2011, we started new pipeline network construction projects in the cities of Osasco, Taubaté, Jundiaí, Piracicaba and São Jose dos Campos, and expanded the network in São Paulo, Campinas, Americana, São Bernardo do Campo, Santos, Guarulhos and Mogi das Cruzes.

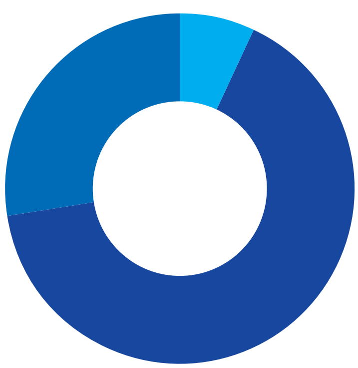
Total volume of gas distributed rose 3.8% from 4.6 billion cm to 4,8 billion cm, not including the thermoelectric generation segment. Average daily volume supplied to customers rose from 12.6 million cm to 13.1 million cm. On computing data for power transmitted, for which demand fell 81.8% in 2011, volume distributed fell 1.53%, from 4.9 billion cm in 2010 to 4.8 billion cm in 2011.

Residential

In 2011, Comgás added a record 109,955 new residential units to its customer base to serve a total of 1,087,612 consumers, 11.2% more than in 2010. Volume of gas distributed totaled 183.0 million cm, 12.4% more than in 2010 with a higher monthly average of 15 million cm /month.

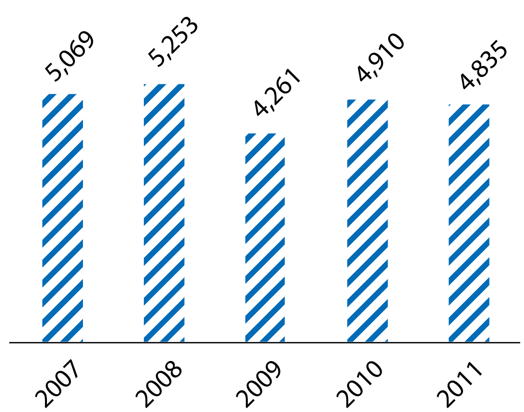
Comgás has a special interest in the residential market for its concentration of potential consumers.

Piped natural gas network



5,252.80 km Polyethylene
2,206.20 km Steel
566.50 km Cast Iron

Volume distributed (million of cm)

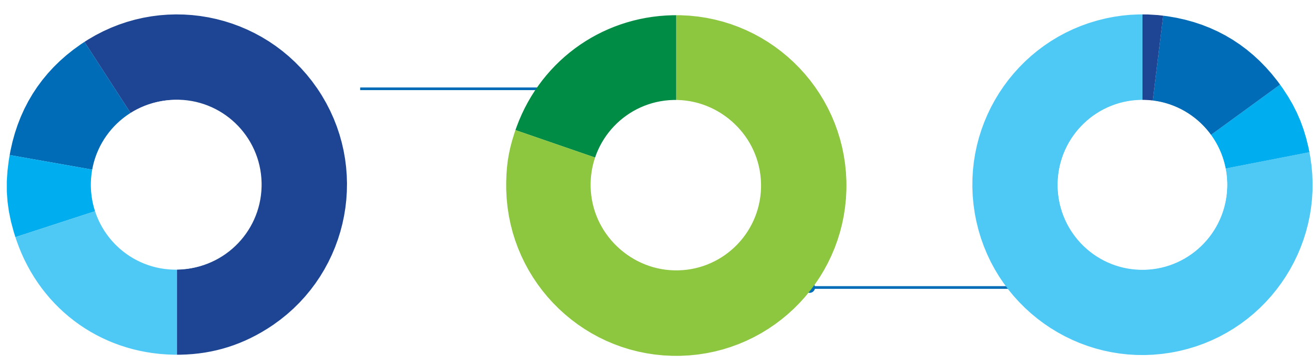


Under its concession agreement, Comgás has exclusive rights to sell and distribute in this segment until 2029. The company plans to keep adding over 100,000 new customers per year while raising average unit consumption by enhancing and expanding its customer base by showing that natural gas is a viable and environmentally friendly alternative. There is also a focus on the housing sector by contacting builders and developers to launch projects with the use of piped gas brought in from the design stage. We also develop strategies to encourage people to convert homes (new or already inhabited) to natural gas and use more different natural-gas solutions.

Reflecting this approach, the period was marked by a larger share of new housing additions, with 47.7% of the total (39.9% in 2010), which the fruit of closer partnerships with builders to supply natural gas at all levels of housing, from luxury to low-income units. There was also growth in the number of homes added to our customer base: 27,902 in the year.

The strategy of geographical devolution and servicing all sub segments continued to be proved correct. Comgás is active in all large residential concentrations in its concession area, as well as catering for all types of existing customers in the market. Additionally, one of the initiatives to encourage greater use of gas by gated communities was the offer of heating systems for swimming pools.

Concession area potential residential market



59%	Connected on natural gas
13%	Customers to be connected
8%	Not connected customers
20%	Market to be studied

6.2 milhões	Million of houses
1.5 milhão	Million of apartments

2%	Connected on natural gas
13%	Customers to be connected
7%	Not connected customers
78%	Market to be studied

Commercial

Again, in the commercial segment, the highlight of the year was reaching the historic record of 10,000 customers connected. At the end of the period, they totaled 10,381, up 6.4% on 2010's number of 9,760. As a result, we made another record for volume supplied by the company in the segment, which reached 108.2 million cm, which was 7% higher than the previous year's 101.2 million cm. This fine performance was due to our consolidating the regionalized business structure and also alignment with expansion in the residential segment in order to boost synergy between both and detect business opportunities. As in the residential market, Comgás holds exclusive rights to the distribution and marketing of natural gas to commercial customers until its concession agreement terminates in 2029.

In order to attract new customers, the company focuses its actions on medium- and large-scale establishments. The market shows significant potential, with much higher consumption than in the residential sector. To attract new customers, Comgás develops and offers unconventional solutions such as HVAC, commercial cogeneration and peak-time generation.

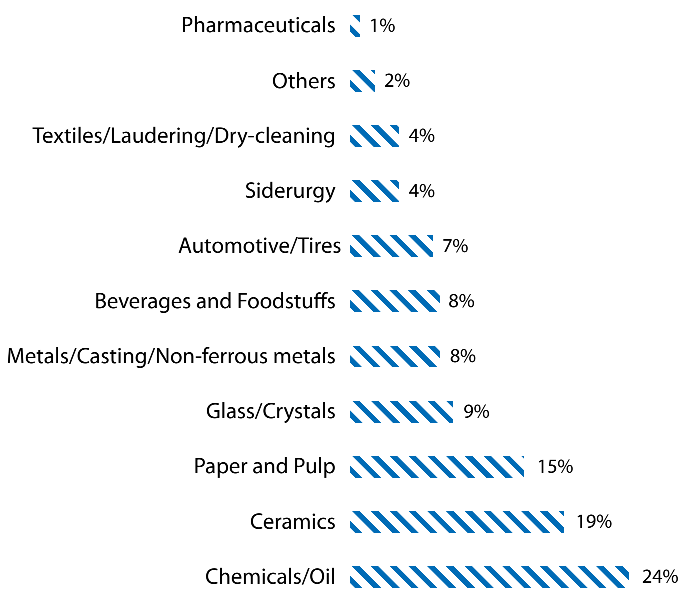
The year 2011 saw the introduction of a client-focused plan for marketing and communications targeting those consuming over 2,000 cm of gas - who account for about 60% of volume consumed by the entire commercial sector - including restaurants, hotels, motels, bakeries, shopping malls, gyms and clubs. The initiatives developed include carrying infomercials in magazines, gifts and sending direct mail on special dates, and especially the creation of a hot site (with access restricted to gas consumers, carrying market news, content to help with the management of establishments, online courses and general information about Comgás and natural gas) and the sponsorship of courses on marketing and services, managing accounts payable, receivables and treasury. Management of costs and price formation and consumer behavior, with classes exclusively for these customers, taught by Senac.

Industrial

Volume distributed by Comgás in 2011 was 3.85 billion cm - up 4.4% from 3.69 billion cm. The segment is Comgás' biggest market in volume terms and accounts for 81% of our sales. The number of industrial firms served increased from 982 to 1002, and 215 contracts were renewed. In relation to small and medium-sized firms, 41 new customer plants were added in 2011. The heterogeneity of customers and business sectors served by Comgás diluted the effects of various events and uncertainties in the international economic scenario, which explains the above-average GDP growth seen in 2011.

Comgás also acted in partnership with the São Paulo state government's agency for investment and competitiveness (Investe São Paulo) to attract more new business enterprises to its concession area. One of our new customers was the Asahi Glass Company (AGC) from Japan, which is setting up a plant in the municipality of Guaratingueta, 180 km from the state capital, where guaranteed access to inputs such as natural gas was one of the

Share by Industry in 2011



factors behind AGC's choice of this location.

Our sales structure, in place since 2010 to provide special service for customers, has been working to build closer relations with companies, in order to ensure better service and to learn of their needs and potential. The regular presence of consultants in factories is a feature of this service, added to safe gas supplies reflecting in efficient asset management, which assures consumers of secure supplies for their operations.

The growth strategy provides for the maintenance and retention of the industrial customer base, and broadening this base through small and medium companies in the various growth areas, in addition to the above-mentioned campaign to attract new companies to the concession area.

Peak-period cogeneration, HVAC and generation:

In 2011, volume distributed by Comgás for cogeneration totaled 345.8 million cm, up 4.0% on the previous period (332,600,000 cm). For HVAC and peak-period generating, volume distributed totaled 13.9 million cm, an increase of 8.9% on the previous period's 12.8 million cm. There were 17 contracts signed - 4 commercial cogeneration, 8 HVAC and five gencos - which amounted to a 14% increase in our customer portfolio.

In the industrial sector, BASF's plant in Guaratinguetá started operating its new cogeneration unit and expects to generate

Volume per segment

	2009	2010	2011
Industrial	77.8%	75.1%	79.7%
Cogeneration	7.5%	6.8%	7.2%
NGV	8.7%	6.5%	5%
Residential	3.4%	3.3%	3.8%
Commercial	2.2%	2.1%	2.2%
Thermal Generation	0.5%	6.3%	1.2%

Volume mm/cm	2009	2010	2011
Residential	144	163	183
Commercial	95	101	108
NGV	369	318	291
Industrial	3,314	3,688	3,851
Cogeneration	318	333	346
Thermal Generation	21	308	56
TOTAL	**4,261**	**4,910**	**4,835**

approximately 3.1 MW of electricity. In the commercial cogeneration segment, we signed agreements to serve two shopping malls, a data center and operational building, and a bank.

The rapidly growing new business in the peak-time generating segment reflects potential savings of much as 60% from this solution. The same applies to the HVAC market in which the company signed its first air-conditioning contract with a bank. Also prominent in this segment are customers such as retail stores, religious temples, educational institutions and others.

Comgás is also attempting to attract more equipment suppliers to Brazil in order to facilitate and cheapen access to technology for its customers. At least two new players are expected to be starting operations in early 2012, thus raising the competitiveness and availability of equipment in the domestic market.

In order to attract customers for these solutions, Comgás publicizes cost savings and environmental benefits obtained by using natural gas rather than other energy sources, and the fact that choosing gas is a strategic decision to ensure efficient and safe energy in the medium and long term.

Automotive

Distribution of CNG by Comgás fell 8.4% in relation to 2010 to end the year with a volume of 290.9 million cm. Despite this reduction, 2011 was marked by gradually recovering growth in this market, as CNG regained its former competitiveness after (in December 2010) ARSESP authorized the CNG pricing procedure to include a portion of the more competitive gas supplies purchased at auctions. In December 2011, the percentage allowed was increased from 50% to 60%.

The network of gas stations selling CNG for vehicles ended the period with a total of 357 units. Our expectation is that the segment will continue to grow. To prime the pumps for demand and demonstrate CNG as an efficient alternative fuel, Comgás took a series of initiatives in partnership with public and private organizations. One highlight was a study conducted in Jundiai, where the local municipal government is testing two CNG-powered vehicles. The cost-performance benefits found by the experiment show: driving 100 km on gas cost R$ 9.00; whereas a vehicle fueled with gasoline or ethanol spent R$ 22.00.

In 2011, the trucking company Jamef also used gas for one of its VUCs on an experimental basis. The Suzanlog logistics company uses CNG for a truck that circulates in Mogi das Cruzes and Jandira, in the São Paulo metro region. The initiative was recognized by the Brazilian Institute for the Defense of Nature (IBDN) and tests show that CO emission fell to zero while CO2 was cut by 90%. For two years, the Campinas public transport firm Viação Itajaí has been using a CNG-powered bus vehicle that has traveled over 80,000 km with very satisfactory results. In partnership with Osasgás (a gas fittings and installations firm), using R&D software, Comgás is also engaged in the development of 100% natural-gas powered minibuses for public and private transport segments. Another partnership involves Iveco in a project for a 100% natural gas powered bus and a garbage collection truck.

Thermoelectric generating

The segment's performance was marked by a significant 81.8% fall in orders from thermoelectric plants - due to high rainfall volumes. Volume fell from 307.6 million cubic meters in 2010 to 55.8 million cm. There is a specific contract to supply gas to the Fernando Gasparian thermoelectric plant and the segment has no significant impact on our margin.

ECONOMIC-FINANCIAL **PERFORMANCE**

Record growth of the Comgás pipeline network and customer base was the result of the investment of R$ 510 million made in the course of the year - the largest ever annual amount in the company's history and 26% higher than in 2010. Of this total, 70% was used to extend the pipeline network.

To ensure sufficient financial for continued fast growth of its operations in the coming periods, Comgás also obtained more loans. The remaining R$ 236 million of a 200 million euro loan from the European Investment Bank (EIB) was disbursed in 2011, as was R$ 233 million of BNDES credit, leaving R$ 84 million from the latter to be used at the beginning of 2012.

These borrowings had positive impacts on the profile of long-term corporate debt, which increased to 80%, or 4 percentage points more than the end of the previous period. Comgás renegotiated covenants (financial ratios) in the ambit of financial contracts.

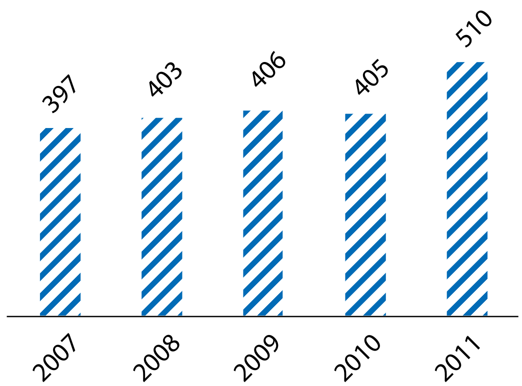
Results

Gross and net revenues from sales and services for the period remained practically unchanged in 2010, with variations of 0.2% totaling R$ 5.1 and R$ 4.1 billion respectively.

Gross earnings also fell 27.2% to R$ 1.1 billion from R$ 1.5 billion in 2010, mainly due to the cost of gas rising 16.4% in the period.

EBITDA (earnings before interest payments,

Investment (in million of R$)



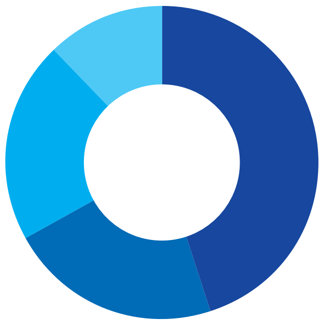
taxes, depreciation and amortization) was R$ 716.3 million and 39.4% down in 2010's R$ 1.2 billion. Taking into account the effect of the regulatory current account, earnings would be 19.4% up on the previous period at R$ 1.1 billion (against R$ 0.96 billion in 2010).

Also on the comparison with 2010, net income fell 59.3% from R$ 580.0 million to R$ 236.1 million. Earnings normalized by the regulatory current account would be R$ 486.9 million
(R$ 409 million in 2010). Therefore, profits would be 19.1% higher than the previous year's.

This performance is also related to higher operating costs due mainly to extending pipeline networks and higher doubtful debt provision.

One of the means of smoothing the discrepancy in relation to higher gas costs and rising prices will be approval of a proposal that ARSESP aired for to public consultation in 2011 to introduce a trigger set off when the balance of this current account - in favor of

DVA 2011



45% Government
22% Shareholders
21% Financial Institucions
12% Employees

In thousands of R$	2009	2010	2011
Employees	101,639	114,578	132,068
Government	879,654	787,338	485,134
Financial Institutions	218,060	194,480	218,330
Shareholders	690,393	579,979	236,139
Total	**1,889,746**	**1,676,375**	**1,071,671**

the consumer or the concession holder - exceeded a stipulated percentage of Comgás' net revenues.

Adjustments

In 2011, we made two tariff adjustments. The regular, annual one of 5%, on average, which became effective from May 31: R$ 3.17 for users of up to 16cm / month (equivalent to one steel bottle of LPG) and R$ 3.33 for those consuming less than 30 cm / month. In the industrial segment, the average increase was 8%, resulting in increases of 8.15% to 8.33% for small consumers in the 10,000 cm / - 100.000 cm / month band and 7.75% to 7.93% for large consumers of over 500.000 cm / month.

In December, ARSESP authorized an extraordinary adjustment of 3.27% - 11.20% due prices of natural gas purchased by Comgás being altered by exchange rate variations and price control for fuel oils (inflation indexing), mitigated by the acquisition of gas at auctions. The increase did not affect the residential customer base or affect our earnings because it was applied for a short period only.

Breakdown of value added

As an indicator of wealth added to society, our Value Added totaled R$ 1. 1 billion in 2011 and is shown as the difference between revenues obtained and cost of gas plus outsourced services, plus depreciation and amortization.

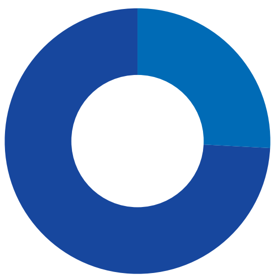
Debt

Outstanding amounts reimbursed for the European Investment Bank (EIB) - in the amount of R$ 236 million - and the BNDES - R$ 233 million - led to the company's debt schedule being lengthened.

At the end of the period, net debt totaled R $ 1.9 billion, or 35.4% more than in 2010 (R$ 1.3 billion).

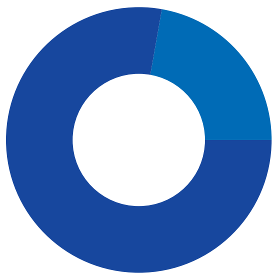
Debt breakdown long / short term

2011



78% Long-Term
22% Short-Term

2010



74% Long-Term
26% Short-Term

2011	**In thousands of R$**
Short-term debt	421,104
Long-term debt	1,452,957
Total debt	1,874,061
Net debt	1,832,951

RISK **MANAGEMENT**

In order to minimize exposure to possible risks affecting operations and / or performance, Comgás has a standing committee composed of representatives from each department that monitors threats and raises them for discussion at monthly meetings. Based on the latter's decisions, Comgás takes steps to avoid exposure to adverse events. As a tool to support this work, it structured an online system for managing risk five years ago.

Market risks

Growth of its consumer base minimizes the company's exposure to any significant fall in demand. In the industrial sector, which accounts for 70% of business, the diversity of clients of various scales from different economic sectors also reduces risk in the event of crises in specific sectors of the economy.

Moreover, our close relations with residential, commercial and industrial customers leads to high levels of brand loyalty, which is intensified by our strategy for regionalization, thus understanding and meeting the specific needs of each region in the Comgás concession area. Our portfolio of products and services caters for a wide range of customer profiles. Sales policies are constantly being reformulated to enable more market penetration by providing, when necessary, benefits to make use of natural gas an even more attractive proposition. By investing in research and development, Comgás is able to increasingly offer solutions that include natural gas, thus boosting demand and consumption.

Through good deals and bidding at gas auctions, the company also actively strives to get the best possible price to be passed on to consumers, keeping the product competitive with other energy sources available. It also runs campaigns to strengthen the competitive edge of natural gas, which has less environmental impact.

Operational risk

Asset safety and integrity are priorities for Comgás, and our prevention plans are constantly updated. They includes training both Comgás employees and outsourcers as well as sessions for caretakers of buildings (4,588 hours of class time for 1,147 caretakers in 2011) and partnerships with other utilities (3,750 hours of training for 1,500 individuals) in order to monitor construction around gas pipelines or avoid attitudes that pose risk for operations. One example of these activities was preventive inspection of the underground network for energy distribution in the city of São Paulo in 2011.

Comgás also revised the Safety Case, a tool for analyzing critical components of gas pipeline networks and evaluating their performance quantitatively and qualitatively in order to obtain more adequate understanding of the measures necessary to prevent losses at any stage of distribution.

Our Control Room also monitors more than 8,000 km of pipeline network 24 hours a day and logs warnings or demands from customers. This work was further enhanced in 2011 when 100% of stations were telemetricized to enable immediate identification of any deviation from standards. Operators monitor data in relation to odorization level, through flow and pressure of gas at city-gates and pressure regulating stations and consumption by major customers, among others, to ensure steady supplies for the entire concession area and the integrity of the distribution system. Monitoring also helps to predict maintenance, respond to emergencies and make other interventions without supply outages. The room is equipped with a Supervisory Control and Data Acquisition system (SCADA) that can simulate blocked valves or sections of the network while still at the stage of planning for an emergency intervention, thus minimizing impacts for customers. In order to avoid any data loss or break in monitoring, the company has a backup control room at its offices in Vila Olimpia.

To ensure safety for the entire community, Comgás tracks and analyzes specific risk throughout the life cycle of the piped natural gas distribution, which includes new projects, expansion, improvement, renovation and operation and maintenance of infrastructure. Evaluations lead to the identification of potential problems, and contingency and control measures may be taken for all operational and support activities.

Comgás takes measures to keep its operations functioning perfectly and is gradually replacing old cast iron pipes by new polyethylene and / or steel pipes, whenever this is necessary or feasible (for more details, see page 67).The company has also a matrix risks inherent to the business that determines when insurance policies are required to mitigate operational risks.

Supply risk

In relation to the supply of natural gas, contracts signed by the company and the recent discoveries of reserves have provided reassurance as to the availability of gas for distribution. In addition, whenever necessary, Comgás extends its network in order to meet demand.

In 2011, the company announced a strategic plan to extend its network of high-pressure pipelines, in order to meet growing demand for natural gas in the São Paulo metropolitan region. The work includes the installation of a 26 km of 0.5-meter diameter pipes under the municipalities of São Bernardo do Campo and São Paulo. The initiative will enhance services for the region's enterprises, particularly in the Greater ABC area, and will encourage companies that adopt clean energy policies to relocate there. In addition, the new pipeline will add 4 million cm per day to our ability to supply the regional market - including residential, commercial, industrial and CNG segments. Work on the structure will start in mid-2012 and take 15 months.

Detailed planning of demand is required to ensure there are sufficient raw materials, manpower and technology to expand and maintain the pipeline network. It also involves suppliers and their employees for instructional and training activities. All contractors go through our process for assessment and approval of technical skills before starting a job.

Environmental risk

All projects developed by Comgás obtain authorization from the corresponding environmental agencies. Moreover, activities planned to preserve our assets minimize any accidents and their impacts for the natural environment. The company also adopts technologies such as direct drilling and installing underwater piping to minimize interventions affecting the environment.

Risk control, fraud and reputation

All employees sign the Comgás Code of Conduct and attend ongoing training programs to review the contents of the document. The company also has a Fraud Officer to manage this kind of risk, determine related exposure factors, and investigate suspect incidents. Our complaint or reporting channel is open at all times with guaranteed privacy for anyone contacting it by e-mail (canalaberto@comgas.com.br) or by calling 0800 702 40 80. In 2011, the company held specific training sessions to disseminate information about the Bribery Act among its managers.

Regulatory risks

Comgás business is subject to regulation, control and supervision by the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP), with which the company maintains dialogue through its directorate for Regulatory and Institutional Affairs, in order to enhance or formulate industry policies. In light of the mature approach shown by regulators in recent years, Comgás does not believe that there will be any sudden changes that may affect its business.

Financial risk

Includes risks relating to liquidity, financing and refinancing (lack of options to fund investment or accumulate debt for concentrated periods), interest rates, and exchange rates. To minimize exposure to these risks, Comgás has adopted measures such as:

• Evaluations of funding alternative to use the best opportunities and compose an appropriate mix of funding sources, avoiding major concentration;

• Spreading out due dates, bearing in mind the possibility of shortage of lines of credit available in the financial market. The company adopts limits of 30% long-term indebtedness with refinancing conditions for the subsequent 12 months; 50% of total indebtedness with refinancing conditions for three years; and 80% of total indebtedness with refinancing conditions for five years;

• Maintains appropriate structure for monitoring and honoring obligations under contractual arrangements;

• Renegotiate covenants;

• Borrows at floating interest rates in Brazilian reais;

• Hedges against foreign currency fluctuations through swaps, forwards and options;

• Hedges at least 75% of amounts contracted over R$ 500,000;

• Conducts quarterly evaluations and annually approvals of counterparties with which it negotiates cash management transactions, floating, exchange rates, financial investments, bank collection and derivatives transactions, and preventively caps exposure to each financial institution.

SAFETY FOR INVESTORS

In 2011, Comgás distributed a total of **R$ 450 million in dividends** to its shareholders and examined **the option of being listed on the Novo Mercado segment**

450 millions in dividends

CORPORATE **GOVERNANCE**

Comgás adopts various practices to ensure reliability and transparency for its shares and disclosure of operating and financial results in the market, in alignment with its values and ethical principles vv It also follows Sarbanes-Oxley recommendations, although they are not obligatory for it, and maintains a constantly revised and improved internal control structure.

Comgás' Investor Relations Manual covers regulations for its board of directors, fiscal council and audit committee, as well as procedures governing disclosure of material acts or facts, stock trading restrictions, and security for its strategic data. The company also disseminates guidelines and procedures among its employees, especially the Code of Conduct that they have all signed, which is the subject of frequent recommendations and courses. In 2011, managers were particularly informed of the determinations of the Bribery Act, the British anti-corruption legislation that has been in effect since the end of the first half of 2011, which Comgás complies with not only due to BG Group being one of its controlling shareholders, but also, and particularly, because the Bribery Act reflects its own values and ethical principles.

The year was marked by studies conducted to examine the feasibility of the company being listed on the BM&FBovespa's Novo Mercado segment for shares of companies committed to the highest standards of corporate governance and that voluntarily comply with rules that go beyond legal requirements. The company and its principal shareholders are continuing to discuss the subject.

Governance structure

The shareholders general meetings is the company's highest decision-making instance and is ordinarily held before April 30 each year, with extraordinary meetings as required. The meeting discusses and approves suggestions submitted by management, as well as investments and financial statements with guidance and reports from the fiscal council and external auditors. It also elects and removes members of the fiscal council and board of directors.

Board of Directors

The board currently consists of nine members serving together for two years, who may be reelected. They hold ordinary meetings every two months or whenever the need arises. One of the members is elected by employees. Directors' duties include the following: determining general business guidelines; selecting or designating external auditors; calling general meetings; submitting the cases stipulated by the articles; and electing and removing directors and defining their powers.

Remuneration for directors is fixed and assigned for their actual participation in meetings, as determined by ordinary general meetings.

Executive board of Comgás

At the end of 2010, the following were members of the board of directors:

Nelson Luiz Costa Silva – President
Luis Augusto Domenech – Vice-president
Alexandre Cerqueira da Silva
André Lopes de Araújo
Benedict John Thorpe Wright
Pedro Henrique A. Pinto de Oliveira
Roberto Schloesser Junior
Sidney Batista da Rocha
Sonia Maria Brotas Lima

(Résumés of members of the board of directors may be seen on the Investor Relations site: www.comgas.com.br/investidores)

Executive Board

The Company has seven executive officers designated by the board of directors for two-year terms that may be renewed for another two years. In 2011, a non-statutory Human Resources officer's position was created. Executives must take all measures required for the proper functioning of the company and propose management guidelines. The executive board is subject to an annual scorecard, duly approved by the controlling shareholders to be used as criterion when assessing performance. Executive officers' remuneration comprises a fixed portion (61%) and a variable portion (39%).

On December 31, 2011, the executive board consisted of the following members:

Luis Augusto Domenech – CEO

Sérgio Luiz da Silva – Vice presidentCommercial, Planning and Gas Supply

Roberto Collares Lage – Finance and Investor Relations

Carlos Eduardo Freitas Bréscia – Regulatory and Institutional Affairs

Leonardo Serra Netto Lerner – Legal

José Carlos Broisler – Operations

Marcus Vaz Bonini - Expansion, Marketing and Relationship

Célia Dutra – Human Resources

(Executive board members' résumés may be seen on the Investor Relations site: www.comgas.com.br/investidores)

Fiscal Council

This body currently consists of four members and four alternates appointed by general meetings for one-year terms, who may be reelected. This standing body's functions include supervising the management of business, advising on issues related to Comgás, reporting to shareholders, and ensuring that the objectives of the articles are reached ethically, fairly and transparently. At the end of 2011, the Fiscal Council members were:

Leonardo da Silva Bento - president

Angela Fillipo da Silva

Thatiana Moura Meirelles

Guilherme Parente Caldas Barreto

Vladimir Ferreira Francisco

Liana Leme de Souza Lopes

Matias Manuel Goldentul

(Profiles for council members may be accessed on the Investor Relations site: www.comgas.com.br/investidores)

Supporting bodies

Pursuant to its articles, the Company has an Audit Committee as a consultative body supporting the board of directors in fulfilling its duties related to analyzing the process of submitting financial statements, monitoring the adequacy of internal controls of finance, operations, compliance and risk management procedures, independence and conduct of internal audits and the selection, dismissal, payment and impartial work of external auditors. Audit Committee members are representatives of Shell and BG Group meeting at least three times a year.

In addition to the Audit Committee, the company maintains the following non-statutory committees:

Crisis Management Committee: Gathers information, monitors and reports on crisis incidents or situations and their consequences, quickly and accurately to ensure correct conduct of management.

Central Committee for Health, Safety, Environment and Quality: Approves policies, objectives, corporate programs, initiatives and the Annual Asset Security and Loss Prevention Plan. Monitors targets for key performance indicators, including those of contractors and subcontractors, and analyzes and discusses actual and potential incidents, and validates measures to mitigate the latter. Also monitors the results of inspections and technical audits.

Human Resources Committee: This body validates proposed alterations of HR policies and procedures, or new ones, as well as workforce needs for conduct of operations, movement, engaging and dismissing executives, and alterations of slay or variable compensation for professionals. HR analyzes parameters for collective bargaining agreements, organizational satisfaction surveys and the process of assessing employee performance; maps critical positions and key people at the executive level and defines succession planning.

Ethics Committee: Decides critical issues and incidents relating to business ethics, creates and revises procedures based on events that have occurred, and analyzes, discusses and makes recommendations on the Code of Conduct.

Central Committee for Asset Integrity: Approves policies, goals and objectives for asset integrity, key performance indicators, integrity programs and plans and results of checks and audits. Also monitors results of performance, discusses relevant integrity failures and incidents and submits action plans for investigations of problems.

IN 2011, MANAGERS WERE PARTICULARLY INFORMED OF THE DETERMINATIONS OF THE BRIBERY ACT, THE BRITISH ANTI-CORRUPTION LEGISLATION THAT HAS BEEN IN EFFECT SINCE THE END OF THE FIRST HALF OF 2011, WHICH COMGÁS COMPLIES WITH NOT ONLY DUE TO BG GROUP BEING ONE OF ITS CONTROLLING SHAREHOLDERS, BUT ALSO, AND PARTICULARLY, BECAUSE THE BRIBERY ACT REFLECTS ITS OWN VALUES AND ETHICAL PRINCIPLES.

INVESTOR **RELATIONS**

The basic function of IR is to develop and implement strategies to add value to the company's stock in the market, by improving its corporate image, providing information about its performance, activities and projects in order to make them transparent to shareholders and potential investors.

In this way, and in line with best practices for corporate governance, Comgás Investor Relations ensures that shareholders, investors and the market are fed information on the company with quality, consistency and transparency and in compliance with laws and rules required by regulators.

The Investor Relations site is one of the main channels for the dissemination of Comgás information to the market and the general public. Through our e-mail address, www.comgas.com.br/investidores readers may access detailed financial information, and other relevant Company information. Our Investor Relations site also has a service that automatically sends investors email messages containing information about updates that have occurred in the sections that investors have previously selected.

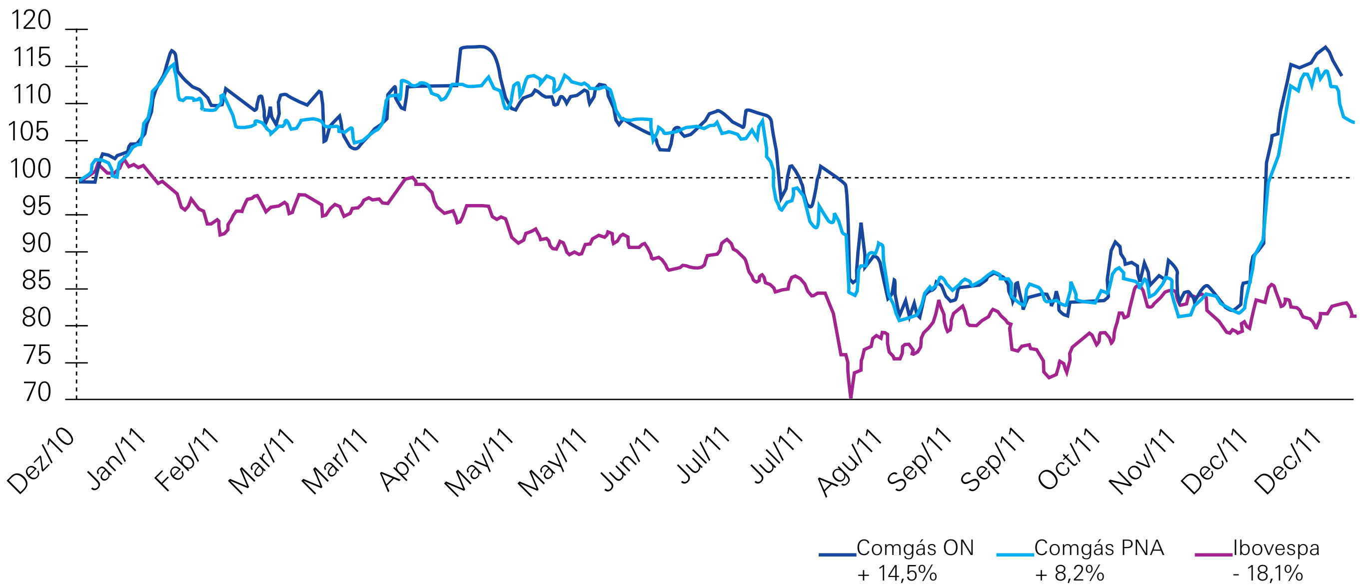
Finance and Investor Relations officers maintain an exclusive communication channel by email (investidores@comgas.com.br) for those interested to contact the company directly.

Over the years, the company has held meetings with analysts and capital market professionals, and participated in various meetings and events held by financial institutions.

AT THE END OF 2011, TOGETHER WITH THE ASSOCIATION OF CAPITAL MARKET INVESTMENT ANALYSTS AND PROFESSIONALS (APIMEC) COMGÁS HELD ITS FIRST PUBLIC MEETING WITH ANALYSTS, INVESTORS, KEY STAKEHOLDERS AND OTHER MARKET PROFESSIONALS.

At the end of 2011, together with the Association of Capital Market Investment Analysts and Professionals (APIMEC) Comgás held its first public meeting with analysts, investors, key stakeholders and other market professionals. Our CEO and CFO made presentations, and all directors were present and available for any questions from the audience. At the end of the presentation Comgás received APIMEC's Assiduity Seal, First Meeting which shows that public meetings are held using APIMEC as a means of building closer relations with analysts, investment professionals and investors, thus strengthening the Company's image by acting in line with good corporate governance, transparency, accountability and fairness in disclosure.

Capital Markets (year of 2011)



CAPITAL **MARKET**

Comgás went public in 1996 and its shares have been listed on the São Paulo Stock Exchange (now BM&FBovespa) since 1997.

Comgás' share capital consists of 119,822,797 shares, of which 93,910,898 are common shares (ON) and 25,911,899 class A preferred shares (PNA). Of this total, 78% belong to the controlling shareholder.

Investor access to common and preferred shares (free float) accounts for 21.75% of Comgás total share capital.

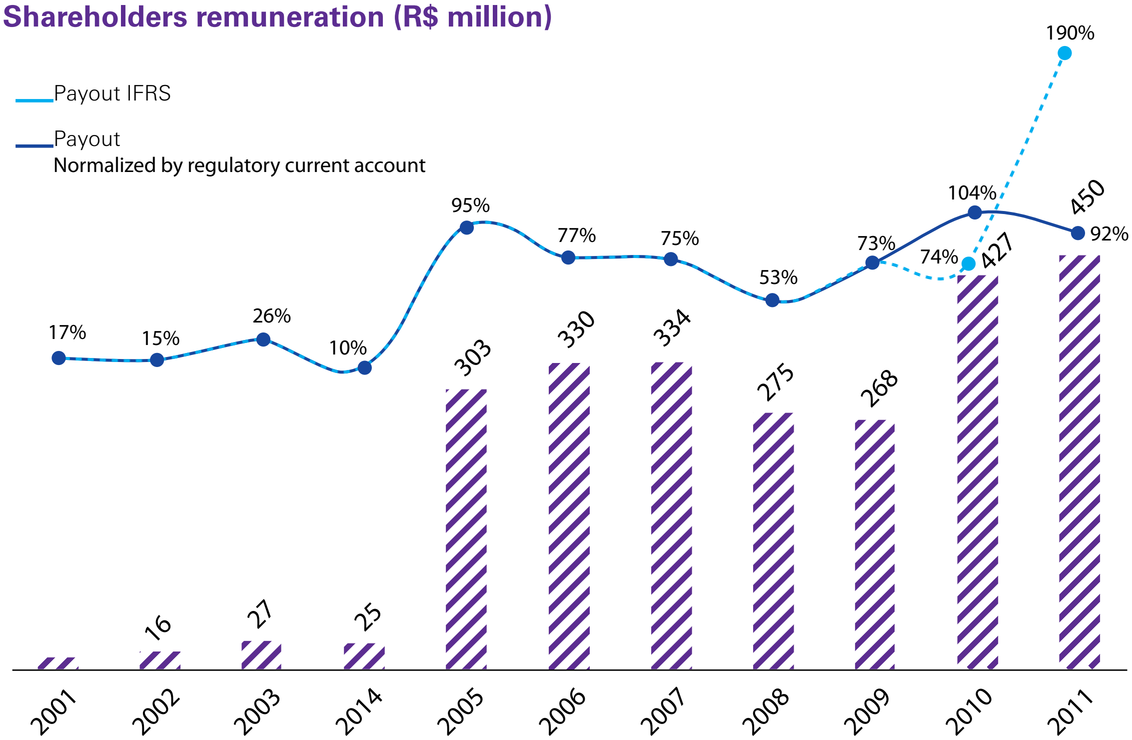
Capital Markets

The Bovespa Index (Ibovespa), the most important indicator of average performance of quotations of shares traded on the São Paulo Stock Exchange, fell 18.1% in 2011. Despite the Ibovespa's slide, Comgás preferred shares (CGAS5) posted gains of 8.2% in 2011, while its common shares (CGAS3) ended the year with a gain of 14.5%. These valuations were driven by the possibility of migration to the Novo Mercado disclosed at the end of the year by the Company in a material fact announcement.

The Novo Mercado is a kind of seal

of quality awarded to companies committed to the highest standards of corporate governance in the Brazilian capital market. To be listed in this special segment, companies must voluntarily commit to adopt corporate governance practices beyond those required by law. Companies listed

Shareholders remuneration (R$ million)



on the Novo Mercado may issue shares with voting rights, known as common shares (ON).

Note that in 2011 the Company paid out R$ 380 million in dividends for the year ended 2010, in addition to R$ 69.8 million in interest on shareholder equity for 2011, totaling R$ 449.8 million for shareholders. It should be noted that of the total amount decided for the year 2011, R$ 444.5 million was paid in the same year, and R$ 5.3 million was paid in January 2012.

In 2011, Comgás shares earned a dividend yield (1) of 8.6%, while payout (2) was 92% using previous accounting practices.

(1) Dividend Yield: index designed to measure profitability of a company's dividends in relation to its stock price, so that companies may be compared in terms of dividends.

(2) Pay-out: distribution of company profits to shareholders in the form of dividends or interest on equity. Pay-out calculated based on remuneration decided by the Company in the period.

INSTITUTIONAL **RELACIONS**

Comgás holds ongoing dialogue with the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP) as one of the practices through which it helps to improve rules for the natural gas industry and its sustainable development.

In this respect, in 2011 the company was involved in negotiations to find a solution minimizing the impact of higher tariff rates on its financial results and for consumers. The proposal to create a trigger, to be set off when the regulatory current account balance in favor of the consumer or concession holder exceeds a certain percentage of the distributor's net revenues was aired for public consultation, and new rules are expected to be announced in 2012. Therefore instead of waiting for the annual adjustment in May, ARSESP would require an extraordinary adjustment if margins were exceeded.

Another measure announced in the year may well encourage demand for CNG: pass-through to the segment is limited to 60% of volume of gas obtained through auction. In the previous year, when the ARSESP authorized up to 50%, there was an average fall of 25% in fuel prices for consumers.

Comgás also continued to take part in the State of São Paulo Oil and Natural Gas Committee (Cespeg), which is tasked with finding sustainable alternatives to increase the share of natural gas in the state's energy matrix, among others. We also approached Investe São Paulo, an independent service set up by the government of the state to attract investment and foster economic competitiveness. Through the service, we seek to identify opportunities for the supply of gas to new ventures and projects. During the period, we also initiated negotiations for a partnership with São Paulo's technology colleges (locally Fatecs). The idea is to offer training for professionals looking to work in the area of gas regulation.

The potential of natural gas led the company to take a series of initiatives such as a symposium on Cogeneration & Natural Gas Climatization in 2011, in partnership with the Cogeneration Industry Association (Cogen) and the São Paulo State Energy Secretariat. The aim was to encourage the use of gas for cogeneration, peak-period generation, and air conditioning in large establishments.

On the same lines, the company maintains a strong presence in various industry organizations. In 2011, Comgás president Luis Domenech, was elected head of the Brazilian Association of Piped Gas Distributors (Abegás) for a term ending 2013. In addition, the company was present at the annual meeting of the International Gas Union, in which it has an executive committee member. We also take part in the Strategic Decisions Council of the Brazilian Infrastructure Association (vice-president); discussions organized by FIESP/CIESP and the official Association of Energy Companies of the State of São Paulo; the British Chamber of Commerce and Industry in Brazil (Britcham); and the American Chamber of Commerce (AmCham).

SAFETY FOR SOCIETY

Comgás provided safety **training for over 6,000 people**, including its own staff and suppliers' employees


6.000
treined people

RELACIONS **WITH EMPLOYEES**

In 2011, Comgás retained its focus on people management in the form of engagement and reinforcing dissemination of knowledge of tools and the process of managing performance since the human resources are priority for the company's Strategic Radar. This direction responded to one of the points emerging from a climate survey of employees' perceptions of managers and senior management that we conducted at the end of 2010. Some of the action plan measures adopted for this aspect:

• Exchanging ideas: Morning coffee sessions at which managers and assistant managers meet with the president of Comgás and cover topics such as goal alignment, integration, experiences and questions. Sessions were attended by about 130 managers and held on 13 occasions in 2011.

• Dialogue-gas: Covers two activities. One involves monthly sessions with the board, at which a director meets staff for coffee and a chat about various topics in order to get information on the same level and open doors to dialogue. In 2011, some 1,420 professionals took part in nine such events at the São Paulo metropolitan region operational center and offices. The other involves morning coffee with the directors of our Growth Academy (read more on page 51), at which professionals enrolled with the Academy interact with directors, who also take the opportunity to learn about practical aspects of the business.

• Workshops: A number of workshops were held in 2011 to deal with managing performance in particular. With the assistances of specialized consultants, these occasions enable managers and assistant managers to swap ideas on the subject and favor alignment of these professionals on issues such each individual's role in setting objectives, holding feedback meetings, and compiling individual development plans. Other workshops looked at HR tools to help leaders use them more effectively.

The Corporate Action Plan also included activities for non-managers, such as having our internal newsletter Telegás feature a column on valuable behavior and talents, and HR talks at BU meetings in response to request from managers to take up issues such as compensation and benefits, career development and managing performance.

All initiatives were then monitored by HR officers and measured by indicators such as attendance at climate management events, assessments and quick surveys. We also enhanced communication around major corporate projects, such as DNA II and regionalization. Events to commemorate our reaching a one-million strong customer base included a series of activities and shows of recognition, such as cultural competitions, parties and sports events at units.

An innovative step for our Internship Program was the beginning of formal assessment of the performance of participants and we now have a manager covering each intern or trainee. We started to conduct surveys with students to collect their perceptions of the program and they attended integration meetings. Again, managers held meetings to discuss their role in developing trainees.

Staff	2009	2010	2011
Full time			
Indefinite or long-term	948	979	1,019
Temporary	84	90	107
Outsources			
Indefinite or long-term	3,543	4,170	3,702
Temporary	13	38	8
Total	**4,588**	**5,277**	**4,836**

Training and development

The annual assessment of employee performance covered 98% of our staff in 2011. The process is carried out through performance contracts and evaluating competencies. The former poses specific measurable targets aligned with the objectives of business units and our scorecard. The contract reflects a consensus between employee and manager. The assessment of competence is based on values and behaviors expected of employees. There is a slot for formal feedback between manager and employee, in addition to constant monitoring.

In addition, all employees have their potential analyzed at meetings with management. Career paths are discussed in light of current performance and ability to assume new responsibilities or move to another area / position in the company. To do so, we use the Nine Box to detect professionals with most potential and guide their careers, while devising development plans for low-performing employees.

In 2011, we provided 53,700 hours of training for employees, or an average of 53.5 hours for each employee on the Comgás payroll. Courses took up issues such as our Code of Conduct, putting corporate principles into practice, and integrating new employees, which involved some 1,200 hours of specifically human-rights related content. These training sessions involved 623 professionals, or 61.1% of the total. By the end of the year, Comgás directly employed 4 professionals to provide safety services and all (100%) participated in training sessions that also involved human-rights related aspects. Our Code of Conduct course, offered online, via a corporate intranet - was completed by 100% of employees, of which 148 are managers and 871 non-managers. Our corporate portal is accessible to employees and also offers modules on environmental awareness, ergonomics, alterations to Portuguese spelling rules, financial mathematics and computer programs, which are frequently publicized through our internal channels of communication.

The year 2011 also saw the second company Growth Academy, which covers two years and enables professionals to deliver the results expected of them in the corporate progress process, with "Zero Injury and High Performance". Contents cover needs mapped for pipeline construction and connection macro processes, operations and maintenance, and customer relations. Classes are taught by company professional specializing in these subjects. Year-one instruction is aimed at developing technical skills, while year two moves on to customer relations.

Our initiative to encourage and facilitate the study of foreign languages includes help with tuition and learner materials. Assistance may last for up to three years at an institution of the employee's choice. This program assisted 45 professionals in 2011.

Also continued was our partnership with FIA, through which Comgás offers employees the opportunity to take MBA courses in Project Management and Innovation - 35 students enrolled in 2011.

To enhance its professional staff, the company holds annual awards for excellence and innovation, which recognize studies or reports related to safety, the environment, innovative initiatives and integration with communities in which Comgás is present, thus reinforcing corporate values. During the period, 79 projects were entered and the winners were given cash prizes. The initiative also aims to select candidates for the BG Chairman's Awards and the BG Innovation Awards, organized by our parent company.

Remuneration and benefits

Comgás monitors the market and average salaries paid are in step with the rest of the industry. The lowest salary paid was 1.88 times the minimum wage in December 2011.

Employees on our payroll enjoy the following benefits: assistance for sickness and accident, medical and dental assistance, assistance for children with special needs, day-care, purchases of orthopedic material, optical and pharmacy requirements, holiday loans, life insurance and private pension plans.

Comgás also offers scholarships covering 50% of tuition for high school, vocational and undergraduate courses. In 2011, the number of scholarships rose from 33 to 40 as part of an agreement with the gas-industry trade union (Sindigasista).

Performance assessment	**2009**	**2010**	**2011**
Total headcount	948	979	1,019
Employees formally assessed	929	961	1,000
% of employees formally assessed	98%	98%	98%

At the end of 2011, 94.7% of employees were also covered by a defined contribution pension plan offered by the company. Adhering to the plan is voluntary. Employees may contribute up to 4% of their salaries and Comgás comes in with twice this amount. On retiring, our professionals may choose to be paid a pension or redeem the accumulated investment. The plan showed a balance of approximately R$ 70 million at December 31, 2011.

Safety

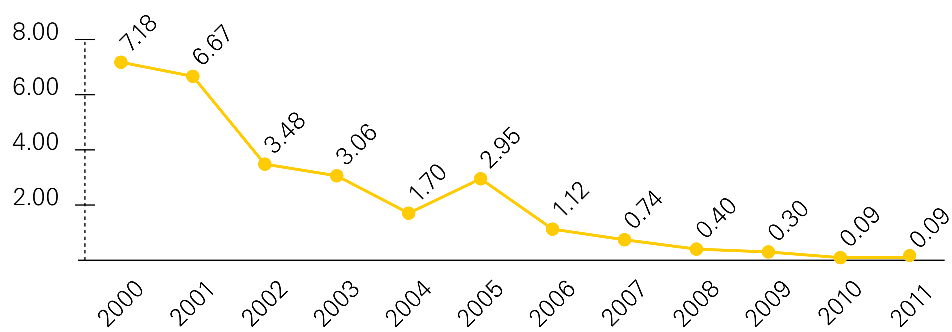
Comgás continued its effort to strengthen the Zero Injury with High Performance campaign and reach the target in practice. This effort was reflected in the fact that we had 10.6 million man/hours worked in 2011, and there was one single incident that led to time off work, reflecting the ongoing training and awareness programs - which cover outsourcer employees too. In 2011, 359 training sessions were held involving 6,261 people for a total of 31,464 hours. On Safety Day alone, two editions were attended by 6,600 people.

A highlight was the completion of a study to ensure that the Safety Value Proposition philosophy is assimilated by all employees and outsourcers. Specialized consultants were engaged and sociologists and anthropologists worked together with Comgás teams and our business partners to devise appropriate strategies for ensuring that safety issues are addressed and that we reach both "hearts" and "minds" of employees and service providers. At year-end, we produced our first film based on the results of the study and we will start screening it in 2012.

All direct employees (100%) are represented on health and safety committees at the different

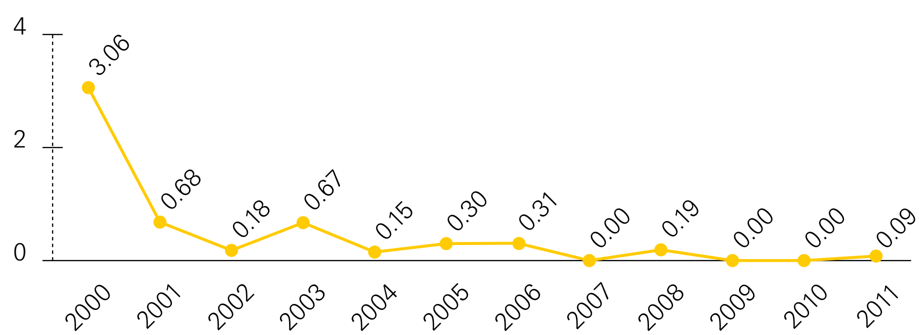
**TRCF
Comgás + Outsources**

TRCF – Total Recordable
Cases Frequency



**LTIF
Comgás + Outsources**

LTIF – Lost Time
Injury Frequency



organizational levels, including those stipulated by law (locally known as CIPAs) and others required by our corporate system for the company's health and safety management. Additionally, committees represent about 80% of outsourcer employees, including construction firms, and distribution network operation and maintenance teams.

Health and quality of life

Comgás conducted an employee health survey in 2011. Based on responses to questionnaires submitted to staff during annual examinations, a report was produced on the attitudes to be adopted by the company to improve health and well-being. Some of them were incorporated into the Mais Viver well being program, which has been run since 2007. This includes a component that started in 2010 catering for professionals aged 50 or more wishing to plan for post-career life (Mais Viver na Maturidade). Guidance is provided by consultants specializing in quality of life and lifestyle, finance, physical, mental, emotional and social health, and family life. Participants were also offered check-ups in 2011. Since the service started, some 49 professionals have been assisted. In 2011, the program was broadened with the following initiatives:

Balanced Weight: For overweight or obese employees wishing to lose weight, individual consultation with a nutritionist and psychologist, customized fitness training and access to educational information, among other items.

Tobacco Free: The initiative includes treatment for smokers wanting to quit the habit and comprises three steps: awareness, motivational support and prevention of relapse. Of the smokers mapped by the company, 46 have become ex-smokers. During treatment, participants get support and assistance from a psychologist.

Pregnancy: This program provides monitoring and advice for women and includes monthly calls to employees - and wives of employees too - group meetings to discuss issues related to pregnancy, childbirth and breastfeeding, and consultations with a Comgás doctor. In 2011, 24 women participated.

Fitness: Includes "adventure running and walking" and a fitness center at the São Paulo Operational Center that employees may use at prices subsidized by the company.

Check-ups: Activities include check-ups for executives at Albert Einstein Hospital and the participation of employees in the Einstein Corporate Health Award event with hospital professionals taking part.

Friends: Employees and their families may get advice over the telephone provided by experts related to issues such as addiction and depression. They benefit from the opportunity to schedule individual consultations with specialists. This telephone service was used by 120 people in 2011. In addition, 80 people have benefited from consultations. This program includes advice on policy for abuse of substances, alcohol and drugs. It involved 361 people in 2011.

Relaxation: To combat stress, Comgás employees and outsourced staff (internal) were able to benefit from the quick-massage campaign we held in the second half of 2011. 211 sessions took place in the period.

Union relations

Comgás guarantees freedom of association employees to join for trade unions such as those for gas fitters and engineers. In 2011, 85% of our professionals were covered by collective agreements signed with these entities, which take up health and safety issues. Material respects, in particular were measures to prevent accidents, which are also covered by HSEQ policy and our health and safety integrated management system.

A new agreement signed with the Sindigasista union resulted in gains for workers, including an 8.0% increase for salaries and benefits; and 10% on the value of the fixed portion of the PLAC; reduced discount for food assistance, with a net gain of 10%; meals provided during overtime working for over three hours in one day, whether worked consecutively or not; and more free time for representatives of employees taking part in union activity.

In cases of operational changes, even though there is a policy officially defined by Comgás, our internal communication vehicles report them in advance with notice varying depending on each specific case.

RELATIONS **WITH SUPPLIERS**

Comgás sees management of suppliers as a strategic issue and works with over 60 partner companies, most of them responsible for construction work and maintaining the network at sensitive points to ensure safety and quality for gas distribution. Relationships with contractors go beyond commercial aspects: they involve training for their workers, alignment with Comgás corporate values, recognition of best practices and constant monitoring of their activities.

This year, there was significant improvement in the management of Health, Safety, Environment and Quality Systems (HSEQ) by partner businesses in terms of aspects related to risk. Comgás conducts technical audits of these suppliers to evaluate them in relation to these issues, and based on the results, proposes action plans to ensure their practices are aligned with demands. In 2009, evaluations showed 50% adherence, and in 2011 this number jumped to 76% (for a total of 28 companies audited).

One of the new developments in the period was improvement in the Contractor Monitoring Program. January saw a new Monitoring Committee consisting of company managers who analyzed critical cases monthly and devised action plans with ways of supporting recovery for contractors when necessary. Evaluation criteria were revised to make the process more objective and transparent. Partner companies are assessed on the six major strategic issues for Comgás: Operations, Health and Safety (HSEQ), Asset Integrity, Technical Audit & Qualification, Administrative and Financial Base. Alterations were based on discussions and alignments between our supplies department and contract managers in direct contact with suppliers and a survey conducted in December 2010. Changes were notified to companies through an electronic monitoring booklet, to which they all had access simultaneously.

The year also saw another edition of the Comgás Partner Awards, which recognize suppliers for better performance. A survey of the awards revealed that 80% thought the process was good or excellent. For issues such as relationships and coping with everyday challenges, the best company in 2011 was Sena Ecal. There are also awards in the Best Practices category, in which 58 projects were submitted and 7 awards made. Seven other companies were acknowledged for good results in our monitoring program.

The company also has an HSEQ central committee that holds monthly meetings with contractors and subcontractors principals to discuss issues relating to safety and best practices. Meetings are coordinated by Comgás president Luis Domenech.

The company's website has a channel for companies to express interest in supplying services or products. It lists areas for which Comgás is seeking partners and enables pre-registration. If approved, a candidate company goes through the qualification process for health, safety, environment, quality and social responsibility requirements, which includes visits to audit administrative and manufacturing environments and / or works in progress. Comgás provides tools and guidance required to help reach compliance. Workshops for new suppliers are held too. On the Internet, contractors have access to sites such as the Comgás Management Analysis System, Document Management (Gedweb) and Comgás Collaborators Portal.

In addition, contracts include clauses related to ethics, such as combating fraud and corruption, and company rules that cover, in particular the Declaration of Principles and Code of Conduct - which, among other items, bans suppliers using forced or child labor, and stipulates the partners comply with agreements and recommendations of national and international conventions relating to these two issues.

Comgás also participates in the certification program for installer companies (Qualinstal), which aims to ensure quality and safety for gas installation services. Contractors are audited and those approved get a seal showing conformity of installation, which ensures products will be delivered to consumers in compliance with standards and in perfect conditions for use.

COSTUMER **RELATIONS**

In 2011, progress made on consolidating the CRM and billing systems for the SAP platform resulted in gains for our customer satisfaction indicator. A survey conducted using methodology suggested by ARSESP showed the index up from 85% to 92%, reflecting Comgás' regaining its ability to respond to demands quickly and assertively.

One improvement that impacted performance this year was having metering and usage data sent automatically to our offices, which reduced the time required and made metering more accurate with ease of checking for the data. Automation led to significant reduction in re-reading meters.

Our Contact Center, operated by Algar Tecnologia, is the main service channel for Comgás, using the toll-free line 08000 110 197. Teams respond to demands on a 24 hour basis and are constantly trained to maintain services at high levels. In 2011, the training load reached 12,300 hours, or an average of 38 hours per person/month - in line with the aim of expanding training for the use of new system resources.

One of the innovations was the so-called call transfer for consumers needing assistance from a second level to solve their problems. Instead of returning their call later, it is transferred immediately to the appropriate team for solving the problem. The structure includes a solutions cell to minimize negative impacts and any dissatisfaction after evaluating the full histories of consumer contacts. On this basis, the most urgent demands may be prioritized.

By phone, users also have access to the Comgás Ombudsman service, which acts in cases not resolved by the Contact Center and takes up suggestions relating to services, attendance, and activities executed. To contact the Ombudsman, customers can call 08000 16 16 67 or use e-mail ouvidoria@comgas.com.br.

Another customer service program (Ligado no Cliente) enables employees to access phone lines to monitor consumer contact with the company in real time. The idea is that Comgás employees listen to customers and identify opportunities for improvements to company processes that directly or indirectly affect customer satisfaction.

Comgás also has personal service points. In 2011, in addition to opening another unit in Santo André (SP), operations continued in the state capital (the São Paulo metropolitan region's operational center located in Brás and on Avenida Paulista), in Campinas (at a new address for the upstate operational center), and regional offices in São José dos Campos and Santos.

Over the internet, Comgás receives demands for natural gas installation and provides access to other services such as copies of invoices. The company's website is also a channel for the dissemination of news related to internal and industry information relating to natural gas, its application in various segments and savings and safety tips. It also has reports of training provided for specific segments, such as caretakers or janitors, a list of companies registered for installation and repair of domestic gas networks and fitting CNG kits to vehicles, and guidance in cases of repairs or construction. 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.

COMGÁS ALSO HAS PERSONAL SERVICE POINTS. IN 2011, IN ADDITION TO OPENING ANOTHER UNIT IN SANTO ANDRÉ (SP), OPERATIONS CONTINUED IN THE STATE CAPITAL (THE SÃO PAULO METROPOLITAN REGION'S OPERATIONAL CENTER LOCATED IN BRÁS AND ON AVENIDA PAULISTA), IN CAMPINAS (AT A NEW ADDRESS FOR THE UPSTATE OPERATIONAL CENTER), AND REGIONAL OFFICES IN SÃO JOSE DOS CAMPOS AND SANTOS.

RELATIONS WITH **THE COMMUNITY**

To foster social, cultural and economic development in its area of activity, Comgás allocated R$ 8.9 million for initiatives on several fronts, of which R$ 7.8 million related to tax incentive programs.

Among the comanaged projects (in which the company operates constantly and directly), a new development was the launch of our Sociocultural Network. In municipalities that are strategic for Comgás, the idea is to provide training for entrepreneurs, artists, cultural producers, public administrators, business and social organizations and researchers covering design, planning, development and project management. By so doing, Comgás encourages and facilitates access by this sector to the Comgás Fund for Cultural Sponsorship, as well as other programs run by private companies or public bodies. In personal meetings lasting two days, participants share experiences, coordinate partnerships and experiment with ways of formatting their proposals. They are also given a copy of the Social Entrepreneur's Guide developed by the company.

Since it was founded in 2007, the Comgás Fund has supported 23 projects in 30 cities, and R$ 5.5 million has been invested under the tax incentive arrangement known as the Rouanet Law. In 2011, of 288 proposals entered, 10 were selected and supported with a disbursement of R$ 1.5 million - in 2012, the total will be increased to R$ 2 million. The profile of the projects covered varies: from initiatives submitted by well-structured organizations that are recognized nationwide to those from individual entrepreneurs. Entries are selected in two steps: first by a group of judges, and then by an internal committee comprised of Comgás executives. In 2011, for the first time, Comgás improved the selection process for projects through questionnaires and visits to 30 pre-selected initiatives. The measure led to reports on each of the initiatives contributing to more far-reaching analysis of projects.

Comgás Apprentice Program (CAP)

This program has also been improved, expanded and integrated with schemes in Comgás' ABC, North / Osasco and East / Guarulhos regional depots. The initiative was first developed in 2000 in partnership with the social organization City School Apprentice (Cidade Escola Aprendiz) and enables teachers and students from public schools and NGO representatives the knowledge needed to design and execute social projects in their communities. In 2011, the dissemination stage, which trains people in the methodology of the program, was offered in the form of workshops transferring content more succinctly in a shorter 4-hour program. The new model enable 277 educators to take part - against 60 in 2010 - by developing partnership with Centro Paula Souza, an independently run body of the State of São Paulo, which manages more than 200 technical schools and 51 technology colleges, and by altering the format of the program. One of them was very innovative: workshops relating to young people and open to educators, teachers and the general public. Through professionals at Centro Paula Souza, the initiative reached 85 young people indirectly and another 735 were involved through the project.

The PAC laboratory format responds directly to young people wishing to develop social projects in their communities. They get access to activities twice per week, for three hours, over an eight-month period. In addition to showing them how to develop projects, the initiative encourages them to put their ideas into practice. In 2011, 33 participants were selected after mapping and publicizing the proposal in downtown São Paulo - the Luz neighborhood - and meetings were held at the Energy Museum in the same area. At the end, 15 participants completed the laboratory and 5 projects were put into practice to benefit 743 people: 323 directly and 420 indirectly.

The year also marked the resumption of the Comgás Apprentice Award, which acknowledges and provides financial support for social initiatives devised and implemented by young people aged 15 to 24 in São Paulo. As part of this initiative, 24 proposals were submitted and 6 gained awards amounting to R$ 2,500. The transfer of resources to be managed by young people themselves is an expression of Comgás' confidence in the responsibility shown by these new social entrepreneurs and their potential.

A ceremony alluding to the 10th anniversary of the Comgás Apprentice Program was held at the Museum of Modern Art (MAM), in São Paulo. Approximately 250 people attended the event, including young people, educators, managers and professionals working with companies and NGOs They celebrated the fact that the PAC had served 3,200 young people and 518 educators from 15 cities in the company's concession area.

DURING THE YEAR, OVER 6,000 PEOPLE VISITED THE EXHIBITION "MEMORY OF THE GAS: THE FUTURE ALWAYS PRESENT", THAT SHOWS ASPECTS OF SÃO PAULO STATE CAPITAL'S HISTORY AND HOW USES OF NATURAL GAS HAVE ENVOLVED.

Memory of Gas

The exhibition "Memory of Gas: the future always present" reported successive annual records in terms of visitation numbers. During the year, 6,660 people (4,712 in 2010) visited the São Paulo metropolitan region center to see the exhibition of panels, photos, videos and models showing aspects of the state capital's history and how uses of natural gas have evolved. The exhibition site is an attraction in itself: it contains the facility that stored and distributed piped gas to the city of São Paulo from 1872 through 1974.

The advance of the initiative reflects strengthening partnerships with government to encourage pupil visits as well as recognition by Comgás employees of the space as an educational environment, but also appropriate for relationships with customers and business partners. In 2011, competing with more than 400 projects, the Memory of Gas exhibition won the Aberje award at the regional and national stages for the category Corporate Memory and Historical Responsibility.

LAW - TAX	Projects	Amounts eligible tax incentives	Diretc	Total Value
Rouanet Law (tax)	Águia de Ouro – Carnival 2011	R$ 338,500.00		R$ 338,500.00
	Águia de Ouro – Carnival 2012	R$ 1,000,000.00		R$ 1,000,000.00
	Fundo Comgás	R$ 1,500,000.00	R$ 88,529.25	R$ 1,588,529.25
	Mozarteum	R$ 250,000.00		R$ 250,000.00
	Schürmann Movie "Pequeno Segredo"	R$ 500,000.00		R$ 500,000.00
	Memória do Gás Exhibition 2011	R$ 300,000.00	R$ 60,000.00	R$ 360,000.00
	Memória do Gás Exhibition 2012	R$ 334,000.00		R$ 334,000.00
Sports Law (IR)				
	Tennis 2011	R$ 200,000.00		R$ 200,000.00
	Tennis 2012	R$ 125,000.00		R$ 125,000.00
	Integrar Arte e Vida	R$ 630,532.50		R$ 630,532.50
	Arena Praia e Cia	R$ 300,000.00		R$ 300,000.00
PROAC (ICMS)				
	Dança e Cidadania	R$ 289,670.46		R$ 289,670.46
	EmCena Brasil	R$ 500,000.00		R$ 500,000.00
	EmCena São Paulo	R$ 154,506.47		R$ 154,506.47
PIE (ICMS)				
	Arena Kids	R$ 506,038.43		R$ 506,038.43
	ADD Para Volei	R$ 118,068.42		R$ 118,068.42
Children and Adolescents Law (IR)				
	Comgás Apprentice Programme	R$ 153,120.00	R$ 688,120.00	R$ 841,240.00
	AACD	R$ 902,520.96		R$ 902,520.96
Total		**R$ 8,101,957.24**	**R$ 836,649.25**	**R$ 8,938,606.49**

SAFETY FOR THE ENVIRONMENT

The company replaced 71 km network of cast iron by polyethylene to avoid possible gas leaks and **enable innovative technologies while minimize impacts on network installation**


71
KM

ENVIRONMENTAL **MANEGEMENT**

In 2011, Comgás was recertified for ISO 14001, which shows its respect for the environment in the conduct of business. To ensure this status, it invested R$ 2.6 million in measures to reduce the impacts of its activities. Measures ranged from campaigns and practices reducing consumption of natural resources through studies for development of less aggressive technologies and preference for building in areas already modified by man (anthropized).

Environmental Costs and Expenses

	(R$)
Waste treatment and disposal	557,073.97
Cleanup costs, including remediation of spills (as per EN23 indicator)	1,973,177.39
Extra expense of installing cleaner technologies	80,000.00
Other environmental management costs	21,720.00
Staff employed for education and training	5,000.00
External certification of management systems	50,000.00
Total	**2,686,961.36**

Biodiversity

Impacts arising from installation of pipeline networks for natural gas distribution are indirect and insignificant for the environment. In 2011, 12 isolated native tree specimens had to be removed from protected area for relocation. To mitigate this impact, Comgás replanted 375 native shoots in conjunction with SOS Mata Atlântica. Although the installation of pipeline networks does not usually damage vegetation, since 2006 the company has been in partnerships with NGOs and civil-society organizations to foster sustainable management of plantations. On this basis, it has promoted revegetation on approximately 35 hectares that were planted with 58,000 shoots or seedlings. To broaden the environmental relevance of its actions, Comgás aims to become a partner of the gallery forest program run by the government of the state of São Paulo, whose purpose is to restore degraded riparian forests in the state.

In 2011, arising from its interventions in Permanent Preservation Areas (APP), Comgás also signed two Environmental Recovery Commitment documents (TCRAs) to be fulfilled within two years, one of which has already been met by planting tree species on-site. No pipeline network facilities were installed in Environmental Protection Areas (APAs) in 2011.

As a strategy for the company to manage its impacts on biodiversity whenever interventions in protected areas are required - which is rarely the case - impacts are previously evaluated and approved by the competent bodies through technical reports with descriptions and lists of existing flora prepared by Comgás' licensing department after inspecting the site. When technically possible, it suggests changing the route or construction method as a means of minimizing impact. An example of this approach was the innovative constructive solution used to install high pressure piping underwater at the Billings reservoir in São Paulo (work due to start in 2012). In general, Comgás construction work is mostly on paved roads and does not have significant impact. However, structures crossing tracts of water are preferably executed by the directional drilling method, which does not impact Permanent Preservation Areas (APPs).

Pipelines installed in conservation areas 2011

	Area (km^2)	Attribute (biodiversity value)	Location (municipality/ state)
Owned, leased or managed land in protected or high-level biodiversity areas	0,0001878	Permanent Preservation Areas (APPs) and Headwater Protection Areas (APMs) in anthropized areas	Public roads (paved) in municipalities of the concession area, in the state of São Paulo

Impact on environment

	Habitats suppressed (km^2)	Habitats protected (km^2)	Habitats em revegetation (km^2)	Habitats em revegetation (km^2)
Amazon Forest	Not applicable	Not applicable	Not applicable	Not applicable
Atlantic Forest	0,0000598	Not applicable	Not applicable	Not applicable
Cerrado savanna	Not applicable	Not applicable	Not applicable	Not applicable
Mangue 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

Residues Generated in 2011 by weight and disposal

	Quantity (t)	Method of Disposal
Dangerous Residues	1.07	Joint Processing
Dangerous Residues	0	Class I Industrial Landfill
Dangerous Residues	0.048	Burning
Dangerous Residues	3.795	Reprocessing
Dangerous Residues	60	Effluent Treatment
Non Dangerous Residues	415.83	Class II Industrial Landfill
Rubbish and Works	126.65	Class II Industrial Landfill
Recyclables	88.25	Recycling

Energy

Due to the growing number of operating units and reduced use of gas-powered generators in the company, the volume of energy consumed rose by 4.82% in 2011. Consumption of natural gas, however, fell 34.81%, due to the need to shutdown the generator for maintenance. For 2012, Comgás may be replacing the equipment with a higher capacity unit able to meet demand at São Paulo metropolitan region operational center (CORMSP).

In order to promote rational use of energy, the company devises and develops internal campaigns among employees using formal communication channels available to them. It also use low-energy lamps and controls time used. CORMSP's cogeneration and air conditioning systems (chillers and GHPs) are powered by natural gas. In all new buildings and offices, especially those owned by Comgás itself, we install gas powered air-conditioning equipment if this is feasible, even if the cost is higher than that of conventional devices. In 2012, the recently opened upstate operations center (IOC) in Campinas will have its air conditioning and power generation refitted to use gas, in order to reduce consumption for the local concession holder.

Water

Comgás' consumption of drinking water (all units) fell to 17,000 cm in 2011 (5.1% less than in 2010). This was due to a program for monitoring and preventive maintenance of hydraulic and sanitary fittings, as well as greater use of reusable water.

In the period, 2,700 cm of rainfall water went through sewage treatment to be reused for toilets at CORMSP. The volume was 54.7% up on 2011, as a result of greater uptake and reserves obtained from heavy rainfall in the city of São Paulo.

Emissions and effluents

Comgás regularly replaces cast iron pies to eliminate natural gas leakage due to cracks or fissures. In 2011, 71.0 km of these pipes were replaced with new polyethylene pipes. Due to this measure, an estimated 4,997 tons of CO2 was no longer emitted. The work required an

Direct energy consumption by energy source

Year	Hydroelectric (kWh)	Natural gas (cm)
2009	3,003,987	156,806
2010	2,986,882	359,113
2011	3,130,902	266,382

Potable water consumption

Year	Volume (cm)
2009	16,188
2010	17,915
2011	17,000

Consumption of reused water

Year	Volume (cm)
2009	not stated
2010	1,752
2011	2,710

investment of R$ 33.9 million in 2011. Since the privatization of Comgás, more than 500 km network of cast iron have been renovated.

Similarly, Comgás invests in regular review and renewal of vehicles. Last year, fuel consumption by vehicles rose 12%, while total km traveled rose 9% on 2010. This was directly related to wear and tear - mitigated by replacements - but more particularly to traffic congestion in major cities, especially in the São Paulo metropolitan region.

CORMSP does not have measuring equipment for discharged water. Its reusable water tank holding up to 700 cm is connected to a public rainwater drain through a pipe fitted with a check valve on its upper flange. The installation of the metering device is technically feasible, due to the large diameter of this piping.

Comgás runs its own sewage treatment plant, which is totally ecological and designed for efficiency levels of over 90% in terms of removing organic matter. After treatment, wastewater goes to the reusable tank, or is discharged in public sewers, depending on the level already stored and seasonal rainfall.

Total direct and indirect emissions of gases causing greenhouse gas effect (in tons of CO_2)*

Year	
2009	119,418
2010	113,203
2011	104,977

Year	Direct GHG emissions
2009	2,391*
2010	4,756*
2011	4,997*

**Emissions calculated based on two main sources of emissions: leaks from cast iron pipes and emissions from vehicles used for the organization's operations (natural gas, diesel and gasoline).*

Consumption of Comgás' vehicles 2011	
Gasolina (l)	137,741
Etanol (l)	344,693
Diesel (l)	103,744
GNV (cm)	246,758
Total Km percorridos	6,788,687

IBASE INDICATORS

1. Base of calculation	2011 Amount (BRL k)	2010 Amount (BRL k)
Net Income (NI)	4,102,660.00	4,095,343.00
Operating Income (OI)	315,729.00	971,826.00
Gross Payroll (GP)	133,189.00	127,000.00

2. Internal social indicators	Amount (BRL k)	% on GP	% on NI	Amount (BRL k)	% on GP	% on NI
Food items	9,430.80	7.1	0.23	8,461.00	6.7	0.21
Compulsory social contributions	33,795.60	25.4	0.82	34,016.00	26.8	0.83
Private pension	4,134.70	3.1	0.10	4,010.00	3.2	0.10
Health	16,980.10	12.7	0.41	13,634.00	10.7	0.33
Helath & safety at work	-	-	-	-	-	-
Education	-	-	-	-	-	-
Culture	-	-	-	-	-	-
Qualification and professional development	2,025.00	1.5	0.03	1,110.00	0.87	0.03
Nursery ou nursery benefits	206,80.00	0.2	0.00	180.00	0.14	0.00
Profit/Gain sharing	22,132.00	16.6	0.45	18,600.00	14.65	0.45
Other	-					
Total - Internal social indicators	**80,706.50**	**66.6**	**2.16**	**80,011.00**	**63.00**	**1.95**

3. External social indicators	Amount (BRL k)	% on OI	% on NI	Amount (BRL k)	% on OI	% on NI
Education	794.80	0.2	0.02	856.00	0.1	0.02
Culture	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Sports	-	-	-	-	-	-
Fight against hunger and food safety	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total contributions to society	794.80	0.2	0.02	856.00	0.1	0.02
Taxes (excluding social contributions)	-	-	-	-	-	-
Total - External social indicators	**794.80**	**0.2**	**0.02**	**856.00**	**0.1**	**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	55.00	0.017	0.001	26.00	0.003	0.00
Investments in external programs and/or projectss	-	-	-	-	-	-
Total investments in the environmental	55.00	0.017	0.001	26.00	0.003	0.000
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	2011	2010
Nº of employees at the end of the period	1019	979
Nº of admissions during the period	144	100
Nº of outsourced employees	3702	3912
Nº of trainees	107	90
Nº of empolyees over 45 years old	237	226
Nº of women working in the company	327	310
% of leadership roles occupied by women	12,80	28,28
Nº of black people working in the company	27	25
% of leadership roles occupied by black people	0	0
Nº of people with disability or special people	49	40

6. Information referring to the exercise of corporate citizenship	2011	2010
Difference between highest and lowest remunaration in the company	63 times bigger	59.7 times bigger
Total number of work-related accidents	1	1
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 programnesm 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):	1,071,671,000.00	1,676,375,000.00
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
4.9	Procedures of the highest governance body to oversee the identification and management by the organization of economic,environmental and social performance, including relevant risks and opportunities, and adherence to, or compliance with, internationally agreed standards, codes of conduct and principles	Corporate governance	40 e 43
4.10	Processes for evaluating the highest governance body, particularly in relation to economic, environmental and social performance	None.	
4.11	Precautionary principle	Risk management	34 a 37
4.12	harters, principles or other external initiatives subscribed or endorsed	Comgás not officially sign or endorse any such document	
4.13	Participation in associations and / or national / international bodies	Institutional relations	47

Economic Performance

EC1	Direct economic value generated and distributed (DVA)	Economic-financial performance	33
EC2	Financial implications, risks and opportunities of climate change	Demand for gas and Operational performance	20 a 21 26 a 31
EC3	Coverage of defined-benefit pension plan obligations	Relations with employees	53
EC4	Significant financial assistance received from government	No significant financial assistance was received from government.	
EC5	Lowest wage compared to local minimum wage		

Lowest wage paid by the company in relation to minimum wage by region of concession area

Year	2009	2010	2011
São Paulo	1.96	2.32	1.88
Campinas	2.82	5.28	1.78
Região Metropolitana de São Paulo	6.15	5.79	3.22
Vale do Paraíba	2.82	2.89	2.63
Baixada Santista	2.82	3.94	2.63

EC7	Procedures for local hiring	Comgás hiring depends on employees' skills and training. The Company does not have local hiring procedures.	
EC8	Investments in infrastructure and community services	Operational performance, Community relations Costumer relations	26 a 31 59 a 61 57 e 58

Environmental Performance

EN3	Direct energy consumption broken down by primary energy source	Environmental management	66
EN4	Indirect energy consumption by primary source	Comgás does not consume this kind of energy.	
EN5	Energy saved due to conservation and efficiency gains	Environmental management	66

		Comment	Page
EN6	IInitiatives to provide low-energy-consumption products and services	Operational performance	26 a 31
EN7	Initiatives to reduce indirect energy consumption and reductions obtained	Comgás does not consume this kind of energy.	
EN8	Total water withdrawal by source	Environmental management	59 e 60
EN10	Percentage and total volume of water recycled and reused	Environmental management	66
EN11	Location and size of Company units in protected areas or high biodiversity areas	Environmental management	64 e 65
EN12	Description of significant impacts on biodiversity	Environmental management	64 e 65
EN13	Protected or restored habitats	Environmental management	64 e 65
EN14	Management of impacts on biodiversity	Environmental management	64 e 65
EN15	Number of species on IUCN Red List and national conservation lists	This item does not apply to Comgás pipelines introduced in 2011.	
EN16	Total direct and indirect emissions of greenhouse gases, by weight	Environmental management	60
EN17	Other relevant indirect emissions of greenhouse gases, by weight	Comgás not calculate indirect emissions.	
EN18	Initiatives to reduce emissions of greenhouse gases and reductions achieved	Environmental management	67
EN19	Emissions of substances that destroy the ozone layer, by weight	Environmental management	67
EN20	NOx, SOx and other significant air emissions by type and weight		

Methane emissions (tons)

Year	Methane (CH_4)
2008	5,237
2009	5,629
2010	5,272
2011	4,700

Direct emission of 135 tons of SOx, from use of diesel, the only fuel that has sulfides in its composition, was reported in 2011.

EN21	Total water discharge by quality and destination	Environmental management	66 e 67
EN22	Total weight of waste by type and disposal method	Environmental management	65
EN23	Total number and volume of significant spills	Comgás not have any data on this subject.	
EN24	Total weight of waste by type and disposal method	Comgás does not transport hazardous waste classed as imported, exported or treated under the Basel Convention.	
EN26	Initiatives to mitigate environmental impacts of products and services	Environmental management	64 e 65
EN27	Percentage recovered of products and their packaging materials	Does not apply to Comgás.	
EN28	Fines and penalties for non-compliance	The company has not been significantly fined	

	Comment	Page
with environmental laws and regulations	for non-compliance with environmental laws or regulations.	
EN29 Environmental impacts of transporting products, goods and materials and workers	Environmental management	67
EN30 Total investments and environmental protection expenses by type	Environmental management	64

Labor practices and decent work

	Comment	Page
LA1 Workers by type of employment contract and region	Comgás is only active in the State of São Paulo	52 e 53
LA2 Total number and of employee and turnover by age group, gender and region		

Turnover	2009	2010	2011
Variation			
Number admitted	88	100	144
Number dismissed	92	69	104
Turnover rate	9.68%	7.05%	10.2%
Turnover by gender			
Men	5.5%	4.7%	5.3%
Women	4.2%	2.4%	4.7%
Turnover by age group			
Under 30	2.7%	3.1%	3.8%
30 - 50	6.1%	3.4%	5.1%
Over 50	0.8%	0.6%	1.1%

LA3 Benefits are not provided for temporary or part-time employees	Relations with employeess	52 e 53
LA4 Percentage of employees covered by collective bargaining agreements		

Coverage of collective agreements	2009	2010	2011
Total number of employees	948	979	1,019
Employees covered by collective bargaining	864	834	871
% of all staff	91%	85%	85%

LA5 Minimum advance notice in relation to operational changes	Relations with employees	55

		Comment	Page
LA6	ercentage of employees represented on formal health and safety committees	Relations with employees	54
LA7	Injuries, occupational diseases, days lost, absenteeism and deaths	Relations with employees	53

Work-related accidents	**2009**	**2010**	**2011**
Total number of accidents			
Employees	0	0	0
Outsourcers	3	0	1
Accidents involving time off work			
Employees	0	0	0
Outsourcers	0	0	1
Accidents not involving time off work			
Employees	0	0	0
Outsourcers	3	1	0
Accident Frequency Rate			
Employees	0	0	0
Outsourcers	0.39	0.11	0.12
Overall rate	0.30	0.09	0.09

LA8	Education, training, counseling, prevention and risk control programs	Relations with employees	51,52,54 e 55
LA9	Health and safety related issues covered by formal agreements with trade unions	Collective agreements signed cover health and safety issues. Preventive measures are covered by HSEQ policy and are part of Comgás' health and safety management system.	
LA10	Average hours training per year per employee by type of employee		

Average hours training in 2011

Functional category	Total hours	Hours/ employee
Technical level	14,041	72
Operational level	11,730	72
Managers and supervisors	14,280	102
Administrative	2,017	26
Professionals	11,422	26
Senior management	184	23

LA11	Skills management lifelong learning and career ending programs	Relations with employees	54

	Comment	Page
LA12 Percentage of employees receiving regular performance assessments	Relations with employees	52
LA13 Persons responsible for governance and employees by gender, age, minorities		

Diversity indicators	**2009**	**2010**	**2011**
Functional category			
Executives	84	87	92
Coordination	52	58	56
Professionals and engineers	294	318	349
Administrative	90	100	77
Operacional	349	337	358
Sales	78	79	87
Gender			
Men	69.2%	68.3%	67.9%
Women	30.8%	31.7%	32.1%
Color / ethnic origin			
White	89%	89%	88%
Black	10%	10%	10.7%
Asian	1%	1%	1.3%
Indigenous	0%	0%	0%
Age group			
Under 30	27%	30%	26.5%
30 - 50	62%	59%	62.3%
Over 50	11%	11%	11.2%

LA14 Basic salary of men and women by employee category

		2009		**2010**		**2011**
Basic wage (R$)	**Men**	**Women**	**Men**	**Women**	**Men**	**Women**
Functional category						
Executives	0.93	1.00	1.12	1.00	1.32	1.00
Coordinators	1.01	1.00	1.08	1.00	1.96	1.00
Technicians	1.17	1.00	1.01	1.00	1.34	1.00
Operacional	0.99	1.00	1.01	1.00	1.32	1.00
Professionals / Engineers	0.95	1.00	0.98	1.00	1.20	1.00
Sales	0.95	1.00	1.01	1.00	0.97	1.00

		Comment	Page
Human Rights			
HR1	Investment agreements that include human rights clauses	Relations with suppliers	56 e 57
HR2	Suppliers submitted to human rights assessments	Relations with suppliers	56 e 57
HR3	Employee training on human rights	Relations with employees	51 e 52
HR4	Total number of incidents of discrimination and measures taken	There were no cases of discrimination in the Company in 2011	
HR5	Operations in which the right to exercise freedom of association is at risk	Relations with employees	51 e 52
HR6	Operations with significant risk of child labor	No operation posing this type of risk was detected.	
HR7	Operations identified for risk of forced or compulsory labor	No operation posing this type of risk was detected.	
HR8	Security personnel trained in human rights	Relations with employees	51 e 52
HR9	Total number of violations of rights of indigenous peoples and measures taken	No case reported.	
Society			
SO1	Programs and practices that assess and manage the impacts of operations on communities	Risk management Customer relations Environmental management	34 a 37 57 e 58 64 a 67
SO2	Business units analyzed for risks related to corruption	Corporate governance Relations with employees Relations with suppliers	40 a 43 51 e 52 56 e 57
SO3	Employees trained in anti-corruption policies and procedures	Corporate governance Relations with employees	40 a 43 51 e 52
SO4	Measures taken in response to cases of corruption	No case was registered in 2011.	
SO5	Positions and participation in making public policy and lobbies	Institutional relations	47
SO6	Contributions to political parties, politicians and related institutions	Comgás does not make such contributions.	
SO7	Legal actions alleging unfair competition, trust or monopoly practices	There were no occurrences in the period.	
SO8	Fines and penalties for noncompliance with laws and regulations	There were no significant fines (R$ 1 million or more) due to noncompliance with laws and regulations.	

	Comment	Page

Product Liability

PR1 **Stages in life cycles of products and services at which impacts on health and safety are assessed**
The impacts on health and safety throughout the life cycle of the activity piped natural gas distribution, which includes new projects for expansion, improvement, renovation, and operation and maintenance of existing infrastructure, are covered by specific risk assessments, with consequent control and contingency measures for each operational and support activity. Therefore 100% of services provided are subject to these procedures.

Phases of life cycle	
Concept of the product and/or services development	Does not apply
Research and development	The R&D programme follows the regularity requires and are monitored by Arsesp
Certification	ISO 14001 (for the whole organization) and ISO 17025 (for the analysis of gas lab). Internal processes for the qualification of suppliers of products and services
Manufacturing and production	Does not apply
Marketing and promotion	Awareness of the safer use of natural gas, including leaks or lack of gas and internal facilities
Storing, distribution and supplying	Risk analysis, introduction and review of procedures, considering health and safety with coaching for capacitating and awareness
Use and service	Follows the norms and Best practices of natural gas distribution industry
Disposal, reutilization and recycling	Treatment of residues from construction, operation and maintenance of natural gas infrastructure, including of the operational bases and administrative offices, according to ISO 14001 requires

		Comment	Page
PR2	Compliance with regulations and voluntary codes for health and safety	There were no non-compliance related to regulations that resulted in a warning, fine or penalty for health and safety issues.	
PR3	Type of information about products and services required by labeling procedures	Does not apply to Comgás.	
PR4	Cases of non-compliance related to information and labeling	Not applicable to the company.	
PR5	Practices related to customer satisfaction, including results of surveys	Customer relations	57 e 58
PR6	Adherence to laws, standards and voluntary codes for marketing communications	Comgás did not adhere to any codes. Its communication ensures respect and ethics in relation to the public with which it interacts.	
PR9	Fines for non-compliance in supply or use of products or services	No case was registered .	

FINANCIAL
STATEMENTS

COMPANHIA DE GÁS
DE SÃO PAULO - COMGÁS
December 31, 2011

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/

Financial statements

Management notes to financial statements

BALANCE SHEETS
Years ended December 31
(In thousands of Brazilian reais)

ASSETS	2011	2010
CURRENT		
Cash and near cash (Note 9)	41,110	145,380
Receivables - customers (Note 10)	408,456	370,018
Other accounts receivable (Note 11)	11,741	10,714
Inventories (Note 12)	89,784	82,008
Indirect taxes to be offset (Note 15)	46,227	37,803
Gas/transport paid but not used (Note 13)	111,927	78,143
Other (Note 14)	30,156	23,602
	739,401	**747,668**
Assets held for sale (Note 16)	19,581	16,028
	758,982	**763,696**
NONCURRENT		
Long-term receivables		
IDeferred income tax and social contribution (Note 24)	108,616	-
ICMS to recover (Note 17)	10,745	9,481
Accounts receivable (Note 18)	22,512	21,710
Judicial deposits	18,494	13,510
Derivatives (Note 21)	82,164	-
Other	1,666	1,366
	244,197	**46,067**
Intangibles (Note 19)	3,304,491	3,038,079
	3,548,688	**3,084,146**
TOTAL ASSETS	**4,307,670**	**3,847,842**

Management's notes are an integral part of these financial statements.

BALANCE SHEETS (CONTINUATION)

Years ended December 31
(In thousands of Brazilian reais)

LIABILITIES AND SHAREHOLDER EQUITY	2011	2010
CURRENT		
Derivatives (Note 21)	38,802	46,380
Borrowings (Note 20)	343,840	342,462
Non-convertible debentures (Note 20)	38,462	4,805
Suppliers (Note 22)	594,137	424,105
Related parties (Note 23)	1,250	1,172
Salaries and social security charges	37,445	36,466
Taxes and contributions to be paid	57,958	61,142
Dividends and interest on shareholder equity	5,562	92,299
Income tax and social contribution to be paid (Note 24)	147,597	105,887
Prepayments from customers	22,255	1,309
Other payables	2,534	1,654
	1,289,842	**1,117,681**
NONCURRENT		
Borrowings (Note 20)	1,468,451	1,006,106
Non-convertible debentures (Note 20)	66,670	100,000
Prepayments from customers and others	25,828	26,790
Bonus to be paid	2,004	1,678
Pension benefits obligations (Note 27)	148,002	133,916
Contingency provision (Note 25)	60,437	61,444
Deferred income tax and social contribution (Note 24)	-	23,827
	1,771,392	**1,353,761**
STOCKHOLDERS' EQUITY		
Paid-in capital (Note 26)	636,985	636,985
Capital reserves	1,292	1,292
Revaluation reserves	11,530	13,169
Income reserves	596,629	724,954
	1,246,436	**1,376,400**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**4,307,670**	**3,847,842**

Management's notes are an integral part of these financial statements.

STATEMENTS OF INCOME
Years ended December 31
(In thousands of Brazilian reais)

	2011	2010
Net sales revenue (Note 29)	**4,102,660**	**4,095,343**
Gas sales	3,747,530	3,816,780
Revenue from construction - ICPC 01	326,591	257,647
Other revenues	28,539	20,916
Cost of gas	**(2,996,617)**	**(2,575,560)**
Cost of gas	(2,310,631)	(1,960,475)
Transportation and other	(359,395)	(357,438)
Construction - ICPC 01	(326,591)	(257,647)
Gross profit	**1,106,043**	**1,519,783**
Selling expenses	(115,696)	(92,819)
General and administrative expenses	(512,643)	(448,692)
Other operating expenses	(2,015)	(6,446)
Operating income	**475,689**	**971,826**
Net financial expenses (Note 31)	**(159,960)**	**(134,590)**
Financial revenues	25,920	31,379
Financial expenses	(185,880)	(165,969)
Profit before income tax and social contribution	**315,729**	**837,236**
Income tax and social contribution (Note 24)	(79,590)	(257,256)
Net income for the year	**236,139**	**579,980**
Basic and diluted earnings per share attributable to shareholders of Company, expressed in Brazilian reais per share (Note 32)		
Preferred	2.12	5.21
Common	1.93	4.74

Management's notes are an integral part of these financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDER EQUITY

(In thousands of Brazilian reais)

		Capital reserves		
	Capital	Tax incentives	For future capitalization	Goodwill reserve
December 31, 2009	**636,863**	**1,201**	**24,460**	**-**
Shares paid in	122	-	(122)	-
Payments of B-class preferred shares	-	-	(24,247)	-
Revaluation reserve reversed	-	-	-	-
IIncome tax and social contribution on realization the revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Dividends paid	-	-	-	-
Use of net income				
Legal reserve	-	-	-	-
Dividends proposed	-	-	-	-
Interest on shareholder equity	-	-	-	-
Retained income	-	-	-	-
December 31, 2010	**636,985**	**1,201**	**91**	**-**
Revaluation reserve reversed	-	-	-	-
Income tax and social contribution on realization the revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Dividends paid	-	-	-	-
Use of net income				
Legal reserve	-	-	-	-
Interest on shareholder equity	-	-	-	-
Retained income	-	-	-	-
December 31, 2011	**636,985**	**1,201**	**91**	**-**

Management's notes are an integral part of these financial statements.

	Income reserves			
Revaluation reserve	**Legal reserve**	**Retained income**	**Earned surplus**	**Total**
14,344	**33,949**	**592,835**	**-**	**1,303,652**
-	-	-	-	-
-	-	-	-	(24,247)
(1,867)	-	-	1,867	-
692	-	-	(692)	-
-	-	-	579,980	579,980
-	-	(336,898)	-	(336,898)
-	29,058	-	(29,058)	-
-	-	-	(83,696)	(83,696)
-	-	-	(62,391)	(62,391)
-	-	406,010	(406,010)	-
13,169	**63,007**	**661,947**	**-**	**1,376,400**
(2,396)	-	-	2,396	-
757	-	-	(757)	-
-	-	-	236,139	236,139
-	-	(296,304)	-	(296,304)
-	11,889	-	(11,889)	-
-	-	-	(69,799)	(69,799)
-	-	156,090	(156,090)	-
11,530	**74,896**	**521,733**	**-**	**1,246,436**

STATEMENTS OF CASH FLOWS

Years ended December 31
(In thousands of Brazilian reais)

	2011	2010
Profit before income tax and social contribution	**315,729**	**837,236**
Adjustments for		
Depreciation and amortization (Note 19)	242,081	210,257
Net book value of derecognized intangible assets (Note 19)	1,220	5,458
Interest and monetary variation on borrowings and debentures	178,176	136,283
Provisão para contingências trabalhistas, cíveis e administrassets/depósitos judiciais	(5,991)	20,499
Post-employment benefit as per CVM Nº 600	14,086	9,786
Doubtful debtor provision (Note 10)	20,445	4,988
Other	-	-
	765,746	**1,224,507**
Changes in assets and liabilities		
Accounts receivable	(59,686)	37,618
Taxes to offset and ICMS to recover - PP&E	(9,687)	(1,373)
Inventories	(7,777)	(13,711)
Suppliers	170,032	15,762
Taxes, fees and contributions	631	(13,196)
Provisions for vacations, profit sharing and earnings	924	4,964
Sundry credits, prepaid expenses and other	(45,219)	(28,620)
Advances from customers and other	21,322	(15,124)
Cash from operations	**836,286**	**1,210,827**
Income tax and social contribution paid	(183,121)	(124,571)
Net cash from operations	**653,165**	**1,086,256**
Net cash from investing	**(509,713)**	**(405,093)**
Additions to intangibles	(509,713)	(405,093)
Net cash from financing activities	**(247,722)**	**(730,056)**
Borrowings / financing	1,297,374	519,935
Amortization of principal - borrowings / financing	(973,850)	(670,889)
Interest charges paid - borrowings /financing	(127,391)	(135,687)
Interest on shareholder equity	(63,942)	(54,570)
Payment of dividends	(379,913)	(364,598)
Payments of B-class preferred shares	-	(24,247)
Increase (decrease) cash and near cash	**(104,270)**	**(48,893)**
Initial balance cash and near cash	**145,380**	**194,273**
Final balance cash and near cash	**41,110**	**145,380**

Management's notes are an integral part of these financial statements.

STATEMENTS OF VALUE ADDED

Years ended December 31
(In thousands of Brazilian reais)

	2011	2010
Revenues	**5,135,045**	**5,152,199**
Revenue from gas sales	4,799,170	4,882,831
Other operating revenues	31,732	23,153
Doubtful debtor provision	(20,433)	(4,986)
Revenue from construction - ICPC 01	326,591	257,647
Other revenues (expenses)	(2,015)	(6,446)
Costs and expenses	**(3,848,699)**	**(3,297,500)**
Cost of gas and transport	(3,363,796)	(2,899,909)
Cost of goods/services sold	(17,913)	(16,256)
Construction cost - ICPC 01	(326,591)	(257,647)
Materials, services and other expenses	(140,399)	(123,688)
Gross value added	**1,286,346**	**1,854,699**
Retentions	**(240,595)**	**(209,702)**
Amortizations	(240,595)	(209,702)
Amortization goodwill premium	-	-
Net value added generated	**1,045,751**	**1,644,997**
Added value received as transfer	**25,920**	**31,379**
Financial revenues	25,920	31,379
Value added for distribution	**1,071,671**	**1,676,376**
Distribution of value added	**1,071,671**	**1,676,376**
Personnel and related charges	132,069	114,578
Taxes, fees and contributions	485,132	787,338
Financial expenses and rents	218,330	194,480
Dividends	-	83,696
Interest on shareholder equity	69,799	62,391
Retained earnings	166,341	433,893

Management's notes are an integral part of these financial statements.

MANAGEMENT'S NOTES TO FINANCIAL STATEMENTS

Years ended December 31
(In thousands of Brazilian reais)

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 17, 2012, including subsequent events that occurred up to this date.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies used in preparing this annual information are defined below. These policies have been applied consistently for all the information shown, unless otherwise specified.

2.1 Basis of presentation

(a) 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 information 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 information, 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.

(b) As of 2011, there are no new CPC / IFRS accounting pronouncements or interpretations after that could have a significant impact on our financial statements.

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. On December 31, 2011 and 2010, the Company held no instruments classified in the categories held for trading at fair value "through profit or loss" and held to maturity.

(a) Loans/ borrowings 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.

(b) 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.

F**air 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.” 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

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

Materials used for works in progress are recorded as inventories.

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 19.

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 19.

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 19.

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 book value 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. 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 Comgás 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 book values in financial information. 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.

2.18 Pension benefits 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 COMGÁS uninterruptedly for 15 years by May 31, 2000 are entitled to this benefit, provided that they are working for COMGÁS on the date the 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

Lease agreements are classified at the time of signing. Leases in which the COMGÁS assumes substantially all risks and benefits of ownership are classified as financial leases. All other types of leasing agreements are classified as operational leases. Financial leasing is capitalized at the inception of the lease agreement at the lower fair value of the leased asset and present value of minimum lease payments. Each lease payment is allocated to liabilities and finance charges, and the corresponding lease obligations, net of financial charges, included in financial liabilities. The interest component of the cost of financing is charged to the income statement throughout the lease term so as to produce a constant periodic rate of interest on the remaining balance of liabilities for each period. Intangible assets acquired through financial leases are amortized over the asset's useful life. Payments made under operating leases are charged to the income statement using the straight-line method during the lease period.

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 information. 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 - Non-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

The following new standards, amendments and interpretations of standards were issued by the IASB, but are not effective for the year 2011. Although the IASB encouraged early adoption of these standards, the Accounting Pronouncements Committee (CPC) did not allow early adoption in Brazil.

• CPC 33 (IAS 19) - “Employee Benefits” as amended in June 2011. The main impacts of the alterations are: (a) elimination of the corridor approach, (b) recognition of actuarial gains and losses in other comprehensive income as they occur, (c) immediate recognition of past-service costs in result, and (d) cost of participation and expected return on plan’s assets replaced by an amount of net equity calculated by applying asset (liability) discount rate to net defined benefit. Management is assessing the full impact of these changes on the Company. The standard is applicable as of January 1, 2013.

• CPC 38 (IFRS 9) - “Financial Instruments”, addresses classification, measurement and recognition of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010 and replaces sections of IAS 39 (CPC 38) relating to classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified in two categories: measured at fair value and measured at amortized cost. The determination is made on initial recognition. The classification basis depends on the entity’s business model and contractual characteristics of cash flows from financial instruments. In relation to financial liability, the rule maintains most of the requirements set by IAS 39 (CPC 38). The main change is that in cases where the fair value option for financial liabilities is adopted, the portion of altered fair value due to credit risk of the entity itself is recorded in other comprehensive income rather than in the income statement, except when doing so leads to accounting mismatch. The Company is evaluating the full impact of IFRS 9. The rule is applicable as of January 1, 2013.

There are no other IFRS rules or IFRIC interpretations that have not yet come into force that could have a significant impact on the Company.

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 book values 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.

If the result shows a 10% difference against estimates of the balance of provision already made, the Company would need:

• to increase liability for impairment of accounts receivable by R$ 7,683;

• decrease liability impairment of accounts receivable by R$ 7,683.

(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.

If the result shows a 10% difference against estimates of the balance of provision already made, the Company would need:

• to increase the liability provisions by R$ 24,585;

• reduce liability provisions by R$ 24,585.

(c) 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.

If the results show a 10% difference of estimates of the balance of values already made, the Company would need:

• to increase loans and financing liability by R$ 191,742;

• reduce loans and financing liability by R $ 191,742.

(d) 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 27.

If the result shows a 10% difference against estimates of the balance of provision already made, the Company would need:

• to increase pension plan benefit liability by R$ 14,800;

• reduce pension plan benefit liability by R$ 14,800.

(e) 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.

If the result shows a 10% difference against estimates of the balance of provision already made, the Company would need:

• to increase the unbilled revenue assets by R$ 22,442;

• reduce unbilled revenue assets by R$ 22,442.

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.

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 exchange rate 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 the dividend payment policy.

The Company monitors capital on the basis of financial leverage ratios involving cash generation (EBITDA), short-term indebtedness and total indebtedness. This index (covenant) is used by financial institutions in loan agreements. On December 31, 2011 and December 31, 2010, outcomes under these covenants were within parameters set in contractual agreements.

Our financial leverage was 147.06% on December 31, 2011 against 98.40% on December 31, 2010.

(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 interest rate 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 exchange rate risks through exchange rate swaps or forwards.

Operations with gas suppliers can be related to foreign currency. The risk arising is reflected by variation in accounts payable and cost of gas. Exposure to foreign currency fluctuations are absorbed by the regulatory current account, and periodically passed on to customers in tariff reviews.

(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, 2011, 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 20.

- Derivatives - as per Note 21.

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 exchange rate 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 translated 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 financial information through due date. Amounts shown in the table are non-discounted cash flows.

					2011
	Up to 1 year	**Up to 1 and up to 2 year**	**Over 2 and up to 5 year**	**Over 5 years**	**Total**
Non-derivative financial instruments					
Loans	479,119	964,950	560,126	309,974	2,314,169
Suppliers and other accounts payable	618,926	-	-	-	618,926
	1,098,045	**964,950**	**560,126**	**309,974**	**2,933,095**

					2010
	Up to 1 year	**Up to 1 and up to 2 year**	**Over 2 and up to 5 year**	**Over 5 years**	**Total**
Non-derivative financial instruments					
Loans	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**

					2011
	Up to 1 year	**Up to 1 and up to 2 year**	**Over 2 and up to 5 year**	**Over 5 years**	**Total**
Derivatives					
Derivatives used as hedging					
Outflows (COMGÁS)	60,976	368,021	311,475	290,845	1,031,317
Inflows (COMGÁS)	18,271	302,501	260,213	309,974	890,959

					2010
	Up to 1 year	**Up to 1 and up to 2 year**	**Over 2 and up to 5 year**	**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

(d) Foreign currency financing swaps

As specified in the item "Derivative financial instruments - as per Note 21," in practice the exchange rate 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). The nominal value, rates and expire dates of the active end of the swaps are the same as the associated 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:

e) Análise de sensibilidade

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, 2011.

• 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, 2011.

			Percentage		
Description	**Counterparty**	**Original currency**	**Assets**	**Liability**	**Expiry end**
EIB II - first tranche	Various banks	USD	VC + 3.881 p.a.	94.34 CDI	June de 2020
EIB II - secondtranche	Various banks	USD	VC + 2.936 p.a.	95.20 CDI	September de 2020
EIB II - third tranche	Various banks	USD	VC + LIBOR 6M + 0.483	88.47 CDI	May de 2021
EIB II - fourth tranche	Various banks	USD	VC + LIBOR 6M + 0.549	81.11 CDI	September de 2021
HSBC - Resolution nº 4.131	HSBC	USD	VC + 4.06 p.a.	104.40 CDI	May de 2013
Itaú - Resolution nº 4.131	ITAÚ	USD	VC + 2.5125 p.a. + IR	109.50 CDI	August de 2013
CHARTERED - Resolution nº 4.131	STD CHARTERED	USD	VC + 2.7412 p.a.	104.90 CDI	September de 2013
HSBC (Sumitomo) - Resolution nº 4.131	HSBC	USD	VC + Libor 6M + 2.00 p.a.	94.12 CDI	October de 2013

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

• • Scenario II - all risk factors deteriorate 25% in relation to levels of December 31, 2011.

• • Scenario III - all risk factors show 50% deterioration in relation to December 31, 2011.

Description	Risk	Scenario I (probable)	Scenario II 25%	Scenario III 50%
Regulatory current account (*)	SELIC rate variation	(8,339)	(6,189)	(4,002)
Foreign-currency debt				
Debt	USD variation	-	(191,067)	(381,849)
Derivative (asset side)	USD variation	-	191,067	381,849
Net effect				
Derivative (liability end)	Interbank (CDI) variation	(57,998)	(72,183)	(86,250)
Debt in local currency				
Debt - interbank rate (CDI)	Interbank (CDI) variation	(10,236)	(12,321)	(14,450)
Debt at long-term rate (TJLP)	TJLP variation	(78,600)	(91,186)	(103,611)
SELIC (regulatory current account)		11.00	8.14	5.36
SELIC		11.00	13.93	16.94
USD		1.876	2.345	2.814
CDI		10.87	13.77	16.74
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, long-term derivatives) is determined using valuation techniques. The Company uses a variety of methods and makes assumptions based on methods and conditions used widely by the market at each balance sheet date.

Comgás adopted the amended CPC 40 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:

				2011
	Level 1	Level 2	Level 3	Total
Assets				
Derivatives used as hedging	-	762,843	-	762,843
Total assets	**-**	**762,843**	**-**	**762,843**
Liabilities				
Derivatives used as hedging	-	(719,481)	-	(719,481)
Total liabilities	**-**	**(719,481)**	**-**	**(719,481)**

				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)**

6. REGULATORY ASSETS (LIABILITIES)

	2011	2010
Cost of gas to be recovered/(passed on)	156,727	(220,778)
Tax credits to recover/(pass on)	(6,743)	(9,402)
Adjustment to present value - taxes	382	521
	150,366	**(229,659)**
Assets (liabilities) initial balance	(229,659)	29,349
Assets (liabilities) final balance	150,366	(229,659)
Revenue not recognized in income before IR/CS taxes	**380,025**	**(259,008)**
Regulatory assets (liabilities)	400,771	(242,092)
Update	(10,811)	(5,173)
Other	(9,935)	(11,743)

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 in tariffs are determined by the regulator in order to amortize the amount accumulated in this account.

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 information 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 information submitted herein.

7. FINANCIAL INSTRUMENTS BY CATEGORY

			2011
	Loans/ borrowings and receivables	**Derivatives usads as hedging**	**Total**
Assets as per balance sheet			
Judicial deposits	18,494	-	18,494
Derivatives	-	82,164	82,164
Accounts receivable from customers and other receivables excluding prepayments	507,350	-	507,350
Cash and near cash	41,110	-	41,110
	566,954	**82,164**	**649,118**

				2011
	Liabilities at fair value through profit/loss	**Derivative financial liabilities**	**Other financial liabilities**	**Total**
Liability as per balance sheet				
Loans	1,812,291	-	-	1,812,291
Derivatives	-	38,802	-	38,802
Debentures	-	-	105,132	105,132
	1,812,291	**38,802**	**105,132**	**1,956,225**

			2010
	Loans/ borrowings and receivables	**Derivatives used as hedging**	**Total**
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**

				2010
	Liabilities at fair value through profit/loss	**Derivative financial liabilities**	**Other financial liabilities**	**Total**
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**

8. CREDIT QUALITY OF FINANCIAL ASSETS

(a) COMGÁS has a portfolio of approximately 1,100,000 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.

	2011	2010
Current account and short-term bank deposits (*)		
AAA	24,256	84,261
AA	16,854	51,116
A	-	10,003
	41,110	**145,380**

(*) 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.

	2011	2010
Cash and bank	16,432	5,459
Agribusiness credit notes (LCA)	-	35,187
Investments in private securities	24,678	104,734
	41,110	**145,380**

10. ACCOUNTS RECEIVABLE - CUSTOMERS

(a) Breakdown of accounts receivable as follows:

	2011	2010
Gas-bill receivables	223,163	195,575
Gas bills by installments	11,802	11,691
Debtors - sales of equipment	27,485	21,044
Adjusted to present value	(2,030)	(1,625)
Non-invoiced revenues	224,418	199,153
Provision for impairment of receivables	(76,382)	(55,820)
	408,456	**370,018**

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 2011 and 2010 are shown below:

	2011	2010
January 1	**55,820**	**50,688**
Provision for impairment of receivables	20,562	5,132
December 31	**76,382**	**55,820**

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

(c) Summary of customer receivables by due date:

	2011	2010
Values falling due	73,786	81,765
Overdue		
Up to 30 days	34,681	7,842
Over 30 days	114,696	105,968
	223,163	**195,575**

11. OTHER ACCOUNTS RECEIVABLE

	2011	2010
"Take or pay" – Customers	4,866	3,777
Customer receivables from extension of pipeline network	1,170	1,170
Recoverable from Petrobras	-	1,541
Other	5,705	4,226
	11,741	**10,714**

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

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

12. INVENTORIES

	2011	2010
Inventories of materials for construction	59,841	52,875
Finished product	1,817	1,163
Misc. materials	28,126	27,970
	89,784	**82,008**

The balance of the "Gas / transport paid and not used (take / ship or pay) - Petrobras' account in the amount of R$ 78,143 on December 31, 2010 was reclassified to" Gas / transport paid and not used.

13. GAS/TRANSPORT PAID BUT NOT USED

	2011	2010
Transport (ship or pay) Petrobras	83,984	67,890
Gas (take or pay) Petrobras	27,943	10,253
	111,927	**78,143**

The recovery of amounts referring to 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 22.

14. OTHER

	2011	2010
Advances to suppliers	18,374	12,990
Advances to employees	8,552	7,690
Prepaid expenses	1,750	498
Other	1,480	2,424
	30,156	**23,602**

15. INDIRECT TAXES TO OFFSET

Tax to be offset breaks down as follows:

	2011	2010
ICMS tax to be recovered	37,632	29,595
ICMS tax on assets	8,896	8,543
Adjusted to present value	(505)	(473)
Other	204	138
	46,227	**37,803**

16. 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.

In May 2011, the amount of R$ 21,053 was received as deposit and initial payment for the sale of land and buildings recorded as "Advances from customers" - current liabilities group, as advances from customers and others.

17. ICMS TO RECOVER – NONCURRENT

Corresponds to the portion of ICMS tax to be recovered on the purchase of assets amounting to R$ 10,745 (December 31, 2010 - R$ 9,481), 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.

18. ACCOUNTS RECEIVABLE – NONCURRENT

The breakdown of long-term receivables is shown below:

	2011	2010
Cauções	10,521	7,747
Recobráveis por interferências na rede	5,303	7,834
Devedores por venda de equipamentos	7,184	6,573
Ajuste a valor presente	(496)	(444)
	22,512	**21,710**

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.

19. INTANGIBLES

	2010	Movements: Additions	Transfers	Write-down	2011
Intangibles in use					
Concession agreement	3,331,990	-	348,022	(7,923)	3,672,089
Accumulated amortization (ii)	(993,962)	(127,032)	1,515	6,703	(1,112,776)
	2,338,028	**(127,032)**	**349,537**	**(1,220)**	**2,559,313**
Customer loyalty	450,730	-	115,545	-	566,275
Accumulated amortization (i)	(234,361)	(78,358)	1,515	-	(314,234)
	216,369	**(78,358)**	**114,030**	**-**	**252,041**
Software and other	189,695	-	23,380	-	213,075
Accumulated amortization (i)	(88,480)	(36,691)	-	-	(125,171)
	101,215	**(36,691)**	**23,380**	**-**	**87,904**
Total intangibles in use	2,655,612	(242,081)	486,947	(1,220)	2,899,258
Intangibles in progress	382,467	509,713	(486,947)	-	405,233
Total intangibles	**3,038,079**	**267,632**	**-**	**(1,220)**	**3,304,491**

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

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, 2011 and 2010:

Net book values	Weighted average rate p.a. - %	2010	Movement: Adições/ Transferências	Amortizations	Write-down	2011
Sites	-	19,125	3,970	-	-	23,095
Piping	3.4	1,883,805	294,422	(93,321)	(2)	2,084,904
Buildings and fixtures	2.7	54,013	6,037	(4,641)	(111)	55,298
Machinery and equipment	5.4	354,146	46,402	(26,567)	(795)	373,186
Transport equipment	20	9,831	1,131	(3,559)	(116)	7,287
Administrative equipment and furniture	10	17,108	(2,425)	1,056	(196)	15,543
		2,338,028	**349,537**	**(127,032)**	**(1,220)**	**2,559,313**

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 the amount of R$ 127,032 and was duly appropriated to earnings for the year ended December 31, 2011.

Income tax and social contribution on the balance of revaluation totaled R$ 5,985 at December 31, 2011 (December 31, 2010 - R$ 6,768). 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, 2011, Comgás capitalized the amount of R$ 25,830 (December 31, 2010 - R$ 21,753) relating to interest on borrowings used to build these assets.

20. BORROWINGS

		2011		2010
	Current	**Noncurrent**	**Current**	**Noncurrent**
Borrowings	342,587	1,466,115	342,462	1,006,106
Non-convertible debentures	38,462	66,670	4,805	100,000
Liabilities - financial leases	1,253	2,336	-	-
	382,302	**1,535,121**	**347,267**	**1,106,106**

(a) Borrowings

		2011			2010
	Encargos - %	**Current**	**Noncurrent**	**Current**	**Noncurrent**
In foreign currency					
BNDES (Project II)	TJLP + 4.0 p.a.	-	-	19,097	-
BNDES (Project III)	TJLP + 4.0 p.a.	38,483	9,570	38,645	47,849
BNDES (Project IV) - Direct	TJLP + 3.2 p.a.	38,234	75,581	38,383	113,372
BNDES (Project IV) - Direct w/ deposit	TJLP + 2.8 p.a.	92,231	182,368	92,554	273,552
BNDES (Project III) - Bco, Votorantim	TJLP + 4.7 p.a.	15,754	3,916	15,825	19,582
BNDES (Project III) - Bco, Bradesco	TJLP + 4.7 p.a.	15,754	3,916	15,825	19,582
BNDES (Project V)	TJLP + 2.8 p.a.	100,500	442,179	27,302	321,502
BNDES (PEC)	TJLP + 5.5 p.a.	27,372	-	29,468	23,313
		328,328	**717,530**	**277,099**	**818,752**
In foreign currency (*)					
BNDES (Currency Basket)	7.87 p.a.	-	-	4,667	-
Banco Itaú/BBA-(IFC onlending) - USD	8.11 p.a.	-	-	4,928	-
EIB II - first tranche - USD	3.881 p.a.	3,042	171,350	5,557	129,814
EIB II - second tranche - USD	2.936 p.a.	1,095	69,423	1,883	57,540
EIB II - third tranche - USD	LIBOR 6M	1,153	123,418	-	-
EIB II - fourth tranche - USD	LIBOR 6M	2,265	118,850	-	-
HSBC - USD	4.06 p.a.	-	35,930	48,328	-
Itaú - USD	3.35 p.a.	1,955	56,952	-	-
CHARTERED - USD	2.74 p.a.	2,329	82,074	-	-
HSBC (Sumitomo) - Res 4131	LIBOR 6M + 2.00 p.a.	2,420	90,588	-	-
		14,259	**748,585**	**65,363**	**187,354**
		342,587	**1,466,115**	**342,462**	**1,006,106**

(*) 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:

	2011
2013	490,755
2014	286,784
2015	163,306
2016 onwards	525,270
	1,466,115

The fair value of current and noncurrent loans and financings are near their book values.

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 - % p.a.
Bank EIB (II) first tranche	3.881
Bank EIB (II) second tranche	2.936
Bank EIB (II) third tranche	LIBOR 6M
Bank EIB (II) fourth tranche	LIBOR 6M
HSBC - - Resolution nº 4.131	4.06
Itaú - Resolution nº 4.131	3.35
CHARTERED - Resolution nº 4.131	2.74
HSBC (Sumitomo) - Resolution nº 4.131	LIBOR 6M+2.00

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 - direct operation 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 - direct operation with BNDES: Banco Itaú BBA's bank guarantee with 100% of financing guaranteed with 2011 disbursements / withdrawal of R$ 50,000.

In the year ended December 31, 2011, Comgás disbursed all its Ð 100 million under the second loan agreement signed with the EIB. This contract was disbursed / drawn in two tranches: the first was R$ 115,496 on May 25, 2011 and the second R$ 120,075 on September 15, 2011. This agreement is backed by banking guarantees issued by Banco Santander and Banco Itaú Chile, each for 50%.

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

The duration of each contract is ten years from the date of disbursement for financing expansion, modernization and refurbishing of the piped gas distribution network and other investments for the years 2010, 2011 and the first half of 2012, to provide support for the Company's operation.

(b) Non-convertible debentures

				2011		2010	
Issue	Series	Quantity	Return - %	Current	Noncurrent	Current	Noncurrent
Second	One only	1	CDI + 1.5% p.a.	38,462	66,670	4,805	100,000
				38,462	**66,670**	**4,805**	**100,000**

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 2011 the third payment of interest amounting to R$ 12,909 was made, and the next interest payment is due in August 2012.

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

(c) Liabilities - financial leases

		2011		2010	
In foreign currency	Monthly payments due date	Current	Noncurrent	Current	Noncurrent
Software Licenses	2014	1,253	2,336	-	-
		1,253	**2,336**	**-**	**-**

The minimum lease payments of financial leases are as follows:

Year	**2011**	**2010**
Less than 1 year	1,417	-
More than 1 year and less than 5 years	3,082	-
	4,499	**-**
Effect of discount	(910)	-
Present value of lease obligations	**3,589**	**-**

21. DERIVATIVES

Values recognized for derivative financial instruments:

In foreign currency	Charges - %	2011 Current	2011 Noncurrent	2010 Current
BNDES (Currency Basket)	113 do CDI	-	-	(6,900)
Banco Itaú/BBA-(IFC onlending)	110.0 do CDI	-	-	(8,836)
EIB II - first tranche	94.34 do CDI	(7,388)	7,610	(18,441)
EIB II - second tranche	95.20 do CDI	(4,027)	4,517	(9,616)
EIB II - third tranche	88.47 do CDI	(7,264)	15,118	-
EIB II - fourth tranche	81.11 do CDI	(6,898)	16,049	-
HSBC	104.40 do CDI	-	3,757	(2,486)
Itaú	109.50 do CDI	(3,179)	10,731	-
Chartered	104.90 do CDI	(4,962)	14,219	-
HSBC (Sumitomo)				
Resolution nº 4131	94.12 do CDI	(5,022)	10,163	-
NDF		(62)	-	(101)
		(38,802)	**82,164**	**(46,380)**

		2011		2010
	Asset	Liability	Asset	Liability
BNDES (Currency Basket)	-	-	4,179	(11,080)
Banco Itaú/BBA-(IFC onlending)	-	-	4,928	(13,764)
EIB II - first tranche	174,393	(174,171)	135,121	(153,561)
EIB II - second tranche	70,518	(70,028)	60,386	(70,002)
EIB II - third tranche	124,571	(116,717)	-	-
EIB II - fourth tranche	121,115	(111,965)	-	-
HSBC	35,930	(32,173)	48,112	(50,598)
Itaú	58,906	(51,354)	-	-
Chartered	84,402	(75,145)	-	-
HSBC (Sumitomo) - Resolution nº 4131	93,008	(87,866)	-	-
NDF	-	(62)	-	(101)
	762,843	**(719,481)**	**252,726**	**(299,106)**

As mentioned in "management of financial risks" (Note 5), Comgás is exposed to interest rate and exchange rate 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, 2011, 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.

22. SUPPLIERS

The composition of the balance recorded in "Suppliers" is as follows:in "Suppliers" is as follows:

	2011	2010
Suppliers of gas/transportation	513,632	349,870
Suppliers of materials/services	80,505	74,235
	594,137	**424,105**

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

. Contract with Petrobras, firm-basis, started in January 2008, effective until December 2013, with daily contracted quantity of 4.27 million cm / day which will increase periodically to the volume of 5.22 million cm / day in August 2012.

. Contract with Petrobras, firm basis, effective until June 2019 and daily amount of Bolivian gas contracted of 8.75 million cm / day, which will be reduced periodically to the volume of 8.10 million cm / day in August 2012.

. Contract with Petrobras, firm flexible basis, 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 cm/day. Inception January 2008; duration through December 2012.

. Two gas contracts under the Thermoelectricity Priority Program (PPT) with Petrobras to supply 3.06 million cm / day, of which 2.76 million cm / day for UTE-Fernando Gasparian (thermoelectric station) to expire on December 31, 2013 and 0, 3 million cm / day with Corn Products to expire on March 31, 2023.

. Short-term contract with Petrobras through electronic bidding procedure in November 2011, under which COMGÁS contracted an amount of 3.2 million cm / day for the period December

2011 through March 2012, at TOP 60% level.

. Weekly gas purchase/sale contract (very short term) with Petrobras for the period from December 2011 through March 2012, under which Comgás may purchase gas through the electronic platform; the daily amount contracted varies as orders from COMGÁS are accepted by Petrobras.

. Contract with Gas Brasiliano, firm basis, for quantity of up to 18 million cm/year starting April 2008 through November 2012.

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 have been recognized under "Gas / transport paid and not used."

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$/cm. Bolivian gas is calculated in US$/million BTU, with monthly adjustments for exchange rate variations.

23. RELATED PARTIES

Balance payable referring to Comgás controlling companies on December 31, 2011:

(a) Controlling companies

Contracts are divided as follows:

(i) BG Group

		Movement		
	2010	**Expenses/ Updates**	**Payments**	**2011**
BG Group OSA/CSA	163	461	(329)	295
Shell Group CSA	1,009	4,635	(4,689)	955
	1,172	**5,096**	**(5,018)**	**1,250**

. 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.

(ii) Grupo Shell

. 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:

	2011	**2010**
Salaries and other short term benefits	11,409	9,998
	11,409	**9,998**

24. 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:

	2011	**2010**
Income before income tax/ social sec, (IR/CS)	315,729	837,236
Rate - %	34	34
Nominal income tax and social contribution	(107,348)	(284,660)
Permanent debits / credits	-	-
Interest on shareholder equity	23,731	21,213
Other	4,027	6,191
	(79,590)	**(257,256)**

(b) Deferred income tax and social contribution

Changes in deferred income tax assets and liabilities during the year ended December 31, 2011, without taking offsetting balances into account were as follows:

	Pension benefit obligation	Provisions	Losses Fair value	Assets/ (liabities regulatory)	Others	Total
Deferred tax assets						
December 31, 2010	**45,531**	**38,123**	**18,536**	**(78,084)**	**(22,230)**	**1,876**
(Credited) debited to statement of income	4,790	(932)	25,559	129,208	1,936	160,561
December 31, 2011	**50,321**	**37,191**	**44,095**	**51,124**	**(20,294)**	**162,437**

	Fair value gains	Revaluation of properties	Others	Total
Deferred tax liability				
December 31, 2010	**18,961**	**6,742**	**-**	**25,703**
Charged (credited) to income statement	21,765	(757)	7,110	28,118
December 31, 2011	**40,726**	**5,985**	**7,110**	**53,821**
Net				**108,616**

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.

25. CONTINGENCY PROVISION

	2010	Update/entries	Write-downs	2011
Labor-court claims	11,116	3,952	(5,170)	9,898
Civil-law	30,558	7,924	(1,078)	37,404
Tax	19,770	1,464	(8,099)	13,135
	61,444	**13,340**	**(14,347)**	**60,437**

(a) Labor claims refer to claims involving salary differences, overtime, additional pay for dangerous and unsanitary conditions, and joint liability, among others. On December 31, 2011, the remaining balance of cases classified as "possible" is R$ 559 (December 31, 2010 - R$ 1,317).

(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, 2011, there are other claims of a similar nature amounting to R$ 43,622 (December 31, 2010 - R$ 63,650, 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, 2011, there were tax cases totaling R$ 64,270 (December 31, 2010 - R$ 63,770), 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.

26. STOCKHOLDERS' EQUITY

(a) Share capital

The Company's authorized capital is R$ 671,672. On December 31, 2011, share capital stock was R$ 636,985 (R$ 636,863 on December 31, 2010), 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 - million
	Common	**Percentage**	**Preferred**	**Percentage**	**Total**	**Percentage**
Shareholders						
Integral Investments BV	82,521	87,87	3,649	14,08	86,170	71.91
MCAP POLAND Fund Inv, in stocks	999	1,06	10,644	41,08	11,643	9.72
Shell Brazil Holding BV	7,594	8,09	-	-	7,594	6.34
TAEF FUND LLC	763	0,81	1,895	7,31	2,658	2.22
Other	2,034	2,17	9,724	37,53	11,758	9.81
	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 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 April 28, 2011, the board decided to allocate R$ 296,304 held in profit reserves at December 31, 2010 to a distribution of dividends in 2011.

The payment of this amount was made within fiscal year 2011 in three installments as follows:

- Installment 1, R$ 46,304, paid on June 30, 2011.
- Installment 2, R$ 130,000, paid on August 31, 2011.
- Installment 3, R$ 120,000, paid on November 30, 2011.

Dividends

Profit available for distribution on December 31, 2011	236,139
Changes in retained earnings	1,638
	237,777
Transfer to legal reserve (5%)	11,889
Calculation base for dividends	225,888
Minimum dividends 2011	56,472
Interest on shareholder equity - gross	(69,798)
Income tax on interest on shareholder equity	8,984
Interest on shareholder equity - net	(60,814)
Total dividends to be paid out in December 2011	-

During the year 2011 interest on own capital were distributed in an amount exceeding the mandatory minimum dividends, so there is no balance of minimum dividend payable on December 31, 2011.

(c) Interest on shareholder equity

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, paid on January 28, 2011.

On June 28, 2011, the board of directors approved interest on capital, for the first portion of the year 2011, totaling R$ 37,790, which was paid on July 28, 2011.

On October 27, 2011, the board of directors approved distribution of interest on capital for the second portion of the year 2011, totaling R$ 16,004, which was paid on November 30, 2011.

On November 16, 2011, the board of directors approved distribution of interest on capital for the third portion of the year 2011, totaling R$ 10,669, which was paid on December 15, 2011.

On December 15, 2011, the board of directors approved distribution of interest on capital for the fourth and final portion of the year 2011, amounting to R$ 5,335, which will be paid on January 31, 2012.

Interest on shareholder equity that is paid to shareholders must be imputed to the mandatory minimum dividends to be paid in 2012 for the fiscal year 2011, 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) 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.

27. PENSION BENEFITS 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, 2011, we use the following assumptions:

	2011
Discount rate	10.25
Inflation	4.5
Expected return on plan assets	10.75
Future salary increases	7.65
Increases in future pension	4.5

	2011
Aging factor	3
Mortality (by gender)	AT-83
Mortality of invalids	IAPB-57
Invalidity date (modified)	UP-84
Turnover	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:

	2011	2010
Value of actuarial liabilities	210,612	191,739
Unrecognized actuarial loss	(56,715)	(44,698)
Fair value of plan assets	(5,895)	(13,125)
Net actuarial liabilities	**148,002**	**133,916**

Changes in actuarial liabilities for the year ended December 31, 2011 is as follows:

	2011
Net actuarial liabilities	**133,916**
Expenses in the period	22,876
Employer contributions	(8,790)
Net actuarial liabilities	**148,002**

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

	2011	2010
Current gross servicing cost (with interest)	449	460
Interest on actuarial liabilities	20,001	17,655
Expected return on plan assets	(1,429)	(1,388)
Amortization of actuarial losses	3,855	1,476
Expenses in the period	**22,876**	**18,203**

Tax effects arising from this provision are recorded under “Income tax and social contribution” in the non-current group (see Note 24 (b)).

With Itaú Previdência e Seguros S.A., 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 2011 was R$ 4,198 (R$ 4,073 in year 2010), 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.

28. SEGMENTAL ANALYSIS

Management analyzes financial performance considering gross economic results separately by business segment.

ARSESP" regulatory agency sets tariffs for the different segments of the business.

The composition of the margin by segment is as follows:

Segment	Residential	Commercial	Industrial	Thermo generation
Volume cm thousand (unaudited)	183,028	108,272	3,850,930	55,884
Gross revenues	553,786	211,473	3,522,172	17,368
Deductions	(117,679)	(44,239)	(748,469)	-
Net revenues	436,107	167,234	2,773,703	17,368
Regulatory assets (liabilities)	12,036	10,323	351,153	-
Cost	(105,118)	(61,760)	(2,179,273)	(15,379)
Gross economic results	**343,025**	**115,797**	**945,583**	**1,989**
Reversal of regulatory assets (liabilities)				
Gross book value				
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 period				

Margin by segment - January 1, 2011 to December 31, 2011

Cogeneration	Automotive	Revenue from construction	Others revenues	Total
345,754	290,878	-	-	4,834,746
242,813	205,579	326,591	31,732	5,111,514
(51,597)	(43,677)	-	(3,193)	(1,008,854)
191,216	161,902	326,591	28,539	4,102,660
13,367	13,892	-	(9,935)	390,836
(154,874)	(136,535)	(326,591)	(17,087)	(2,996,617)
49,709	**39,259**	-	**1,517**	**1,496,879**
				(390,836)
				1,106,043
				(790,314)
				(630,354)
				(115,696)
				(512,643)
				(159,960)
				25,920
				(185,880)
				315,729
				(79,590)
				236,139

Segment	Residential	Commercial	Industrial	Thermo generation
Volume cm 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
Regulatory assets (liabilities)	(13,519)	(6,196)	(207,863)	-
Cost	(79,282)	(49,535)	(1,804,625)	(85,389)
Gross economic results	**283,062**	**99,009**	**789,765**	**10,023**
Reversal of regulatory assets (liabilities)		253,835		
Gross book value				
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 period				

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

Cogeneration	Automotive	Revenue from construction	Others 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)	-	(11,743)	(253,835)
(129,528)	(152,953)	(257,647)	(16,601)	(2,575,560)
45,149	**46,368**	**-**	**(7,428)**	**1,265,948**
				1,519,783
				(682,547)
				(547,957)
				(92,819)
				(448,692)
				(134,590)
				31,379
				(165,969)
				837,236
				(257,256)
				579,980

29. REVENUES

Net sales for the year break down as follows:

	2011	2010
Gross sales of products and services	5,111,514	5,100,989
Sales taxes	(1,008,854)	(1,005,646)
Net revenues	**4,102,660**	**4,095,343**

30. EXPENSES BY TYPE

The Company decided to present the period's income statement by function. As required by CPC 26, the following is a breakdown of expenses by nature:

	2011	2010
Personnel expenses	157,930	141,068
Materials/ services expenses	229,814	190,741
Operational expenses	2,015	6,446
Depreciation and amortization	240,595	209,702
Expenses by type	**630,354**	**547,957**

31. FINANCIAL INCOME AND EXPENSES

	2011	2010
Financial expenses		
Interest charges on loans/ financing/debentures	(156,786)	(141,587)
IOF tax/bank charges/ commission	(16,127)	(16,129)
Capitalization of interest	25,830	21,753
Interest as per CVM Instruction 600 - post-employment benefit	(20,450)	(18,114)
Mark to market adjustment	(9,951)	-
Other	(4,932)	(2,201)
	(182,416)	**(156,278)**
Net monetary variations		
Borrowings	(1,357)	(310)
Monetary gains	49	44
Monetary losses	(2,107)	(9,381)
	(3,415)	**(9,647)**
Financial revenues		
Charges for customer arrears	11,143	12,230
Income from financial investments	11,825	11,825
Interest	2,363	1,724
Mark to market adjustment	-	5,614
Other	540	(58)
	25,871	**31,335**
	(159,960)	**(134,590)**

32. EARNINGS PER SHARE

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

			2011			2010
	Preferred	Common	Total	Preferred	Common	Total
Net income for the year	54,983	181,156	236,139	135,044	444,936	579,980
Number of shares (thousands)	25,912	93,911	119,823	25,912	93,911	119,823
Earnings per Share - R$	2.12	1.93	1.97	5.21	4.74	4.84

33. 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	BRL '000
Operational risk	191,019
Civil liability	159,000

34. COMMITMENTS

(a) Commitments for acquisition of regulatory assets and targets

Commitments for acquisition of intangible assets amounting to R$ 41,518 on December 31, 2011 (R$ 42,571 on December 31, 2010) 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$ 1,293,251 on December 31, 2011 (R$ 1,614,609 on December 31, 2010) 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, 2011, Comgás has 13 contracts for rental of property and their expenses recognized during the year ended on this date totaled R$ 6,341 (December 31, 2010 - R$ 6,775).

Leases are for one to six years, and most leases are renewable at the market rate at the end of the lease period.

Total future minimum lease payments under the operating leases are:

	2011	2010
Gross financial lease obligations - minimum payments		
Less than 1 year	5,848	6,341
More than 1 year and less than 5 years	897	6,745
	6,745	**13,086**
Future financing charges on financial leases		
Present value of financial lease obligations	**6,745**	**13,086**

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