140 years

2012 ANNUAL REPORT

INDEX

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ABOUT THIS REPORT

ABOUT
THIS REPORT

This annual report portrays the key events, decisions, and initiatives behind the economic, environmental and social performance of Comgás from January 1 through December 31, 2012. Its contents are based on the third version of the Global Reporting Initiative (GRI) guidelines with information covering all our operating units. Any reformulations of data posted in our previous report (April 2012) have been appropriately marked.

The structure of this document is based on our greatest capital, namely our intellectual, built, human, social and natural assets. Our 140-year history as an outstanding supplier of gas earning the recognition and admiration of all our stakeholders is also highlighted.

Its content was determined taking into account demands, comments, suggestions, criticisms and observations noted in the course of 2012 through our channels for interaction with different stakeholders: customers, society, suppliers, governments, shareholders, investors and internal stakeholders to whom this document is addressed. Data were collected by our employees from the various business areas.

Our financial statements have been compiled in accordance with Brazilian accounting practices, which are based on the following: Brazil's Law of Corporations, the rules set by the Brazilian Securities Commission (local acronym CVM), and pronouncements and guidelines issued by Brazil's Accounting Pronouncements Committee (CPC) as supplemented by the ARSESP regulatory agency's account plan for public piped gas distribution services, which was introduced by Order 22 of November 19, 1999. PricewaterhouseCoopers have audited the statements. Non-financial indicators have been checked internally only

Requests for clarifications or suggestions may be made by emailing imprensa@comgas.combr. Comgás communication team will be responsible for responding to messages.

APPLICATION LEVELS

Comgás self-declares that this report meets GRI G3.1 application level C for the requirements shown in the table below.

	C	C+	B	B+	A	A+
G3.1 Profile	Respond to items: 1.1; 2.1 - 2.10; 3.1 - 3.8; 3.10; 3.12; 4.1 - 4.4; 4.14 and 4.15	with external verification	Respond to all criteria listed for Level C plus 1.2; 3.9, 3.13; 4.5 - 4.13; 4.16 - 4.17	with external verification	Same as required for level B	with external verification
Information on management approach for G3.1	Not required		Details of management approach for each indicator category		Management approach for each indicator category	
	Respond to at least 10 performance indicators, including at least one from each of the following areas of performance: social, economic and environmental.		Respond to at least 20 performance indicators, including at least one from each of the following performance areas: economic, environmental, human rights, labor, society, product responsibility.		Respond to each of the core G3.1 and sector supplement indicators with due regard for the principle of materiality of the following ways: a) reporting on the indicator or b) explaining the reason for omission.	

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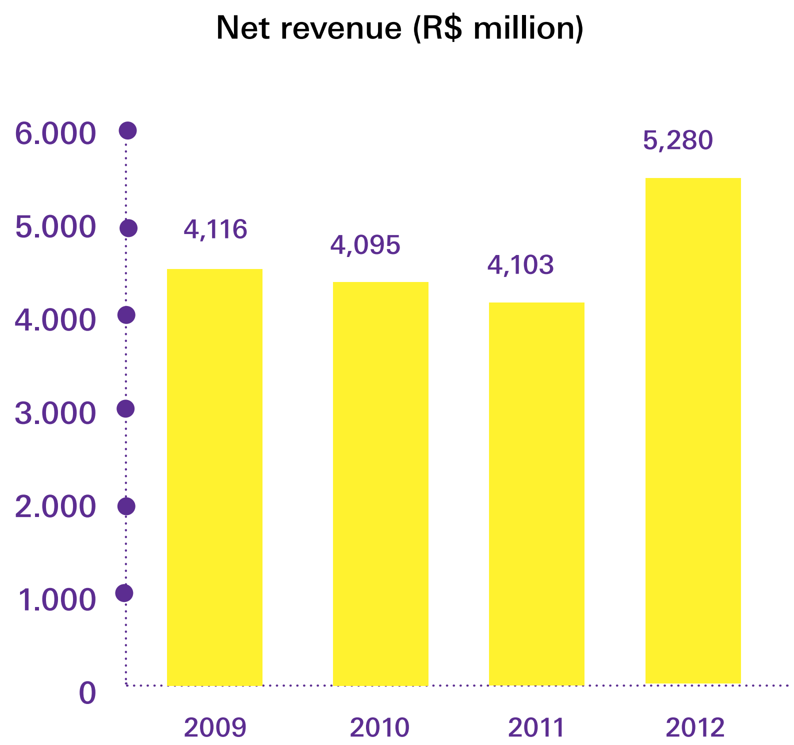
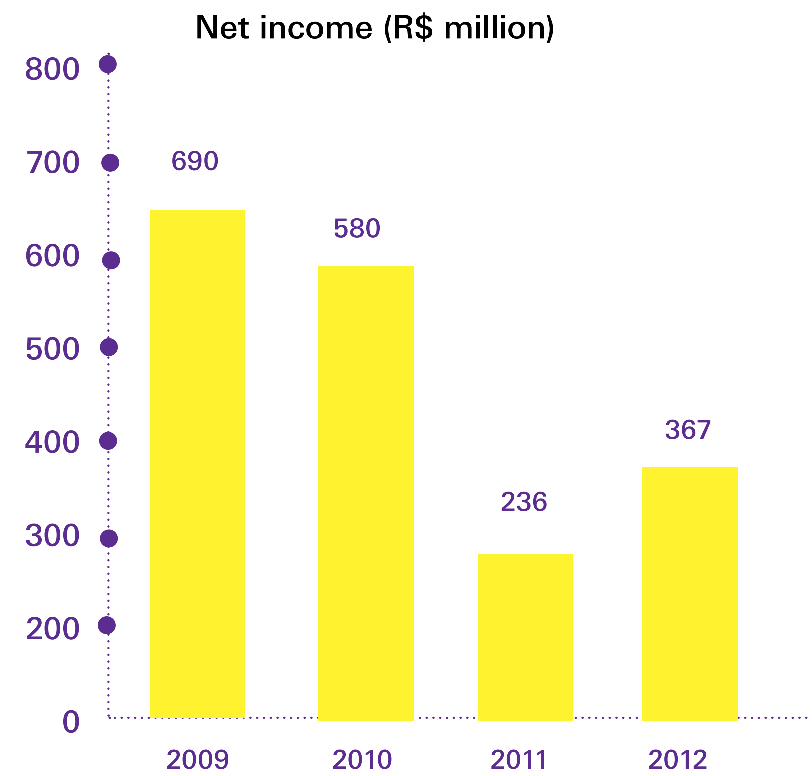
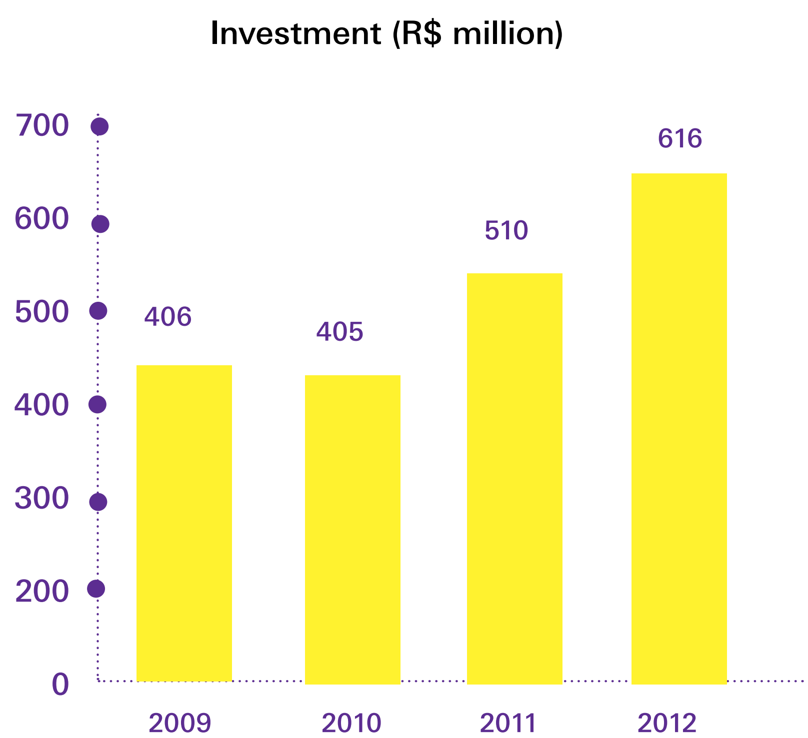
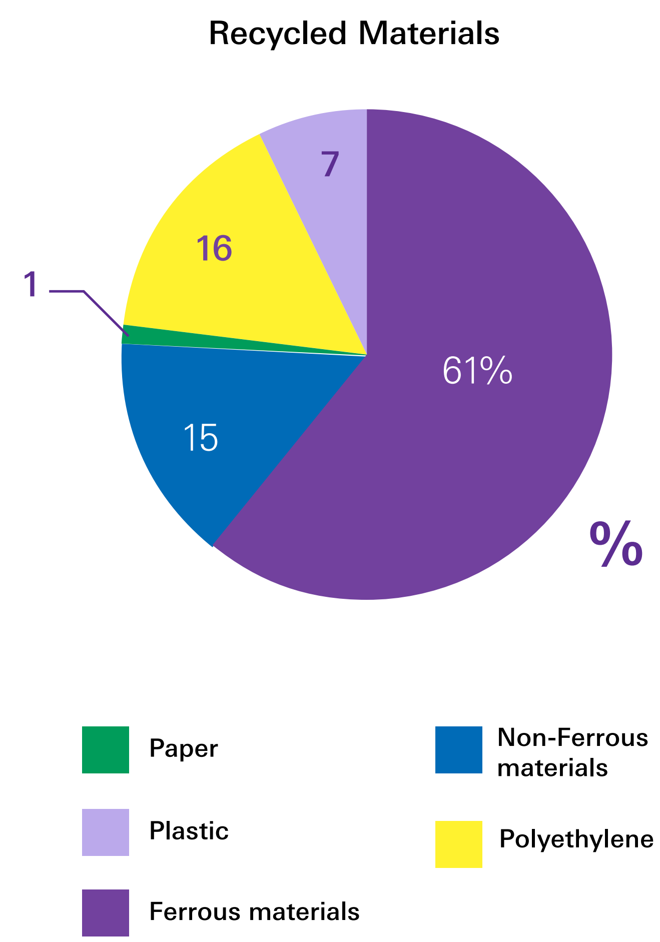
HIGHLIGHT INDICATORS

HIGHLIGHT
INDICATORS



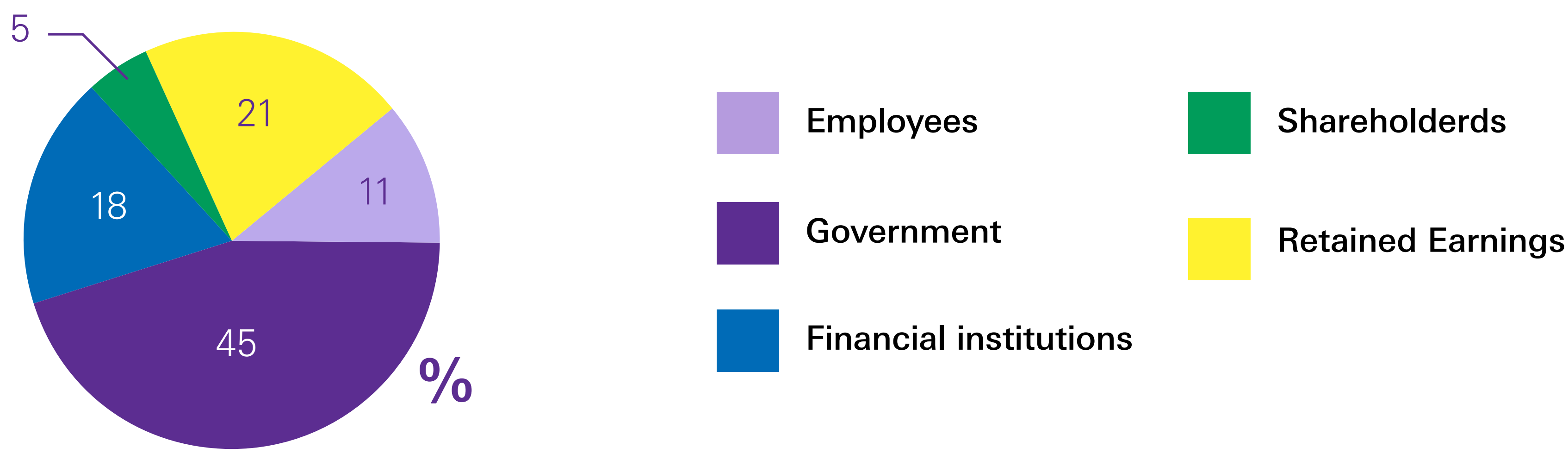




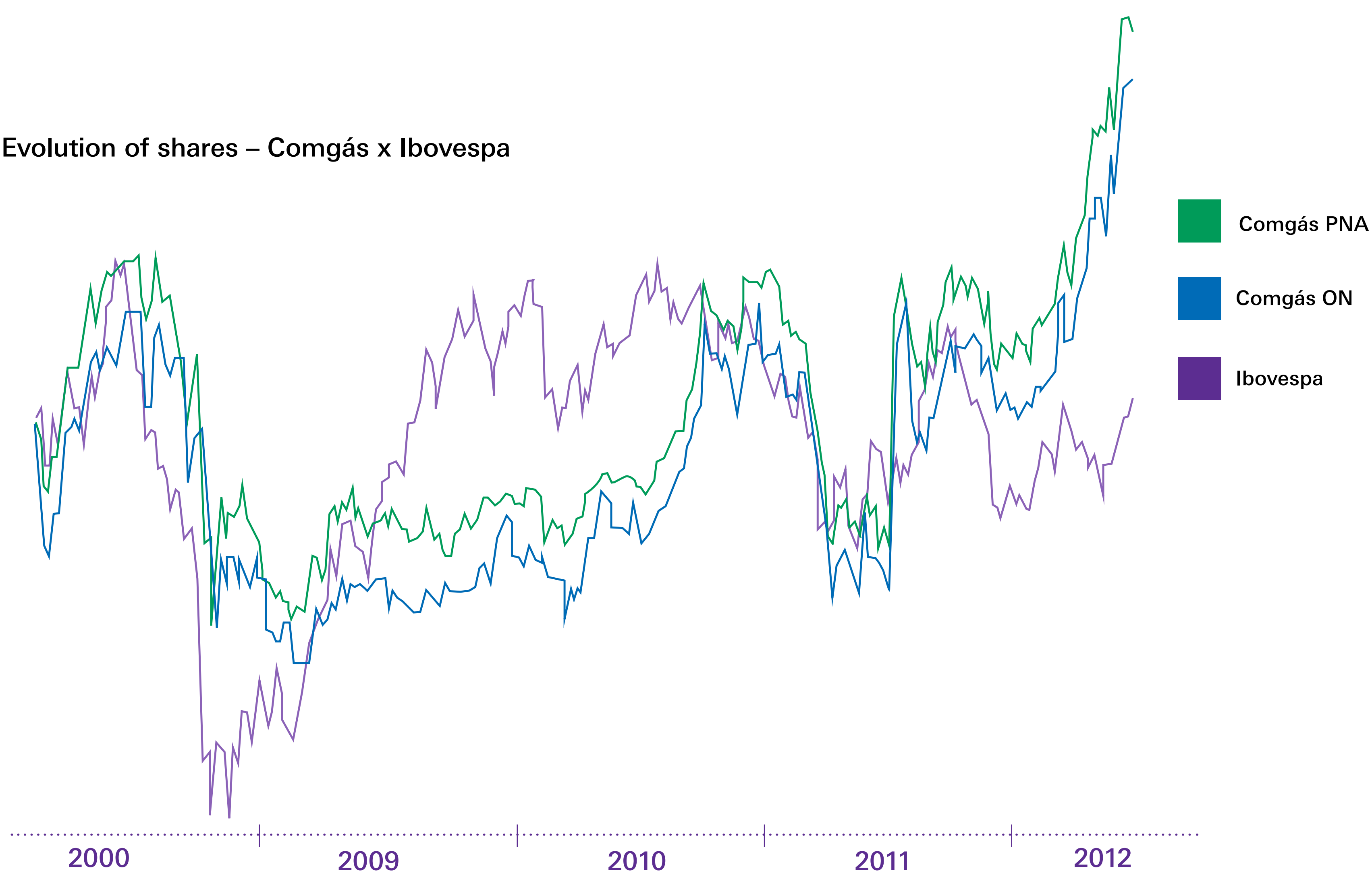


HIGHLIGHT
INDICATORS

DVA - 2012



Evolution of shares – Comgás x Ibovespa



3 PROFILE

PROFILE

In 2012, its 140th anniversary year, Companhia de Gás de São Paulo (Comgás) reached 1.2 million customers and consolidated its image as market reference and Brazil's biggest piped natural gas distributor by delivering 5.3 billion cubic meters, 8.8% more than in 2011.

The Comgás concession area covers 177 municipalities that account for 27% of Brazil's GDP, including 71 cities in the São Paulo metropolitan region, the Campinas administrative region, Baixada Santista region, and Vale do Paraíba. The total length of its pipeline distribution network is over 9,000 km.

We serve the residential, commercial and industrial segments, as well as thermoelectric generating plants, cogeneration plants and natural gas stations for automotive users (CNG). The period's net revenue totaled R$ 5.3 billion with R$ 366.7 million net income. "Zero injuries combined with high performance" is our watchword in relation to our workforce of 1,041 own employees and 3,802 outsourcers at end-2012.

Comgás operates under a 20-year concession agreement with the São Paulo State Sanitation and Energy Regulatory Agency (ARSESP) signed in 1999 with the option of renewal for another 20 years when it ends in 2029. Our head office and operational center is in São Paulo and we have two operational centers (Campinas and São José dos Campos), plus another ten units between regional offices and operational bases.

In November 2012, Cosan concluded its acquisition of a 60.05% stake in Comgás from BG Group to produce the following share-ownership structure: Cosan S.A. Indústria e Comércio (60.05%); Shell Brazil Holding (6.34%); Integral Investments BV – of which the main shareholder is Shell Gas BV – (11.86%); and other shareholders 21.75% (stock circulating in the market). Comgás shares have been traded on São Paulo Stock Exchange since 1997.

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.

MISSION,
VISION AND VALUES

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.

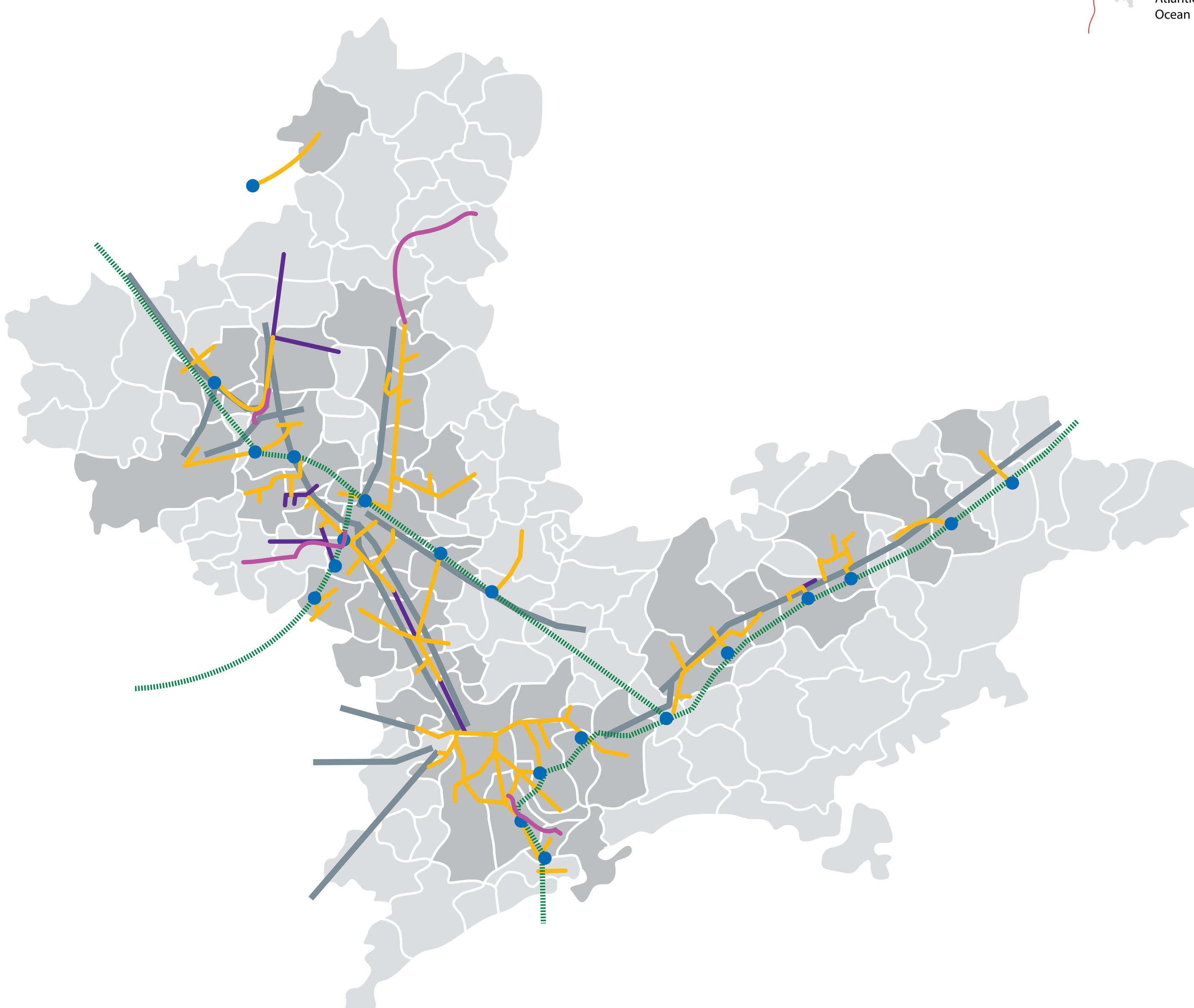
Empowermen

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.

MAP SHOWING,
COMGÁS CONCESSION AREA



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

TIMELINE

1872

Comgás officially begins operating as San Paulo Gas Company, and is authorized by the Empire of Brazil to operate the city of São Paulo's public lighting concession.

1959

The company is nationalized and renamed Companhia Paulista de Serviços de Gás.

1912

First alteration of control: Canada's Light gains control.

1974

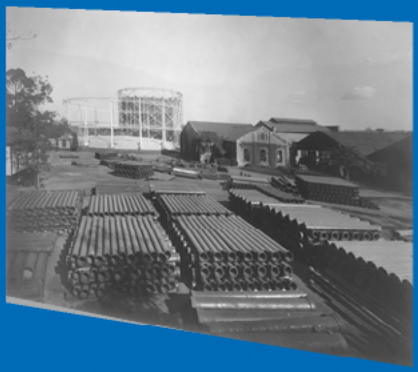
The municipal government of São Paulo takes over and renames it Companhia Municipal de Gás de São Paulo (Comgás).

1996

Comgás goes public and shares are traded on the São Paulo Stock Exchange.

1984

A state-owned company – Companhia Energética de São Paulo (Cesp) – takes over as controlling shareholder.



2012

Cosan acquires 60.05% of Comgás share capital from BG Group.

1999

Privatization: BG Group – Shell consortium acquires control of Comgás for R$ 1.65 billion.

PROFILE

KEY INDICATORS

millions of m³	2010	2011	2012
Total volume	4,910	4,835	5,259
Industrial	3,688	3,851	3,789
Residential	163	183	199
Commercial	101	108	112
Vehicles	318	291	275
Thermoelectric generation	308	56	527
Cogeneration	332	346	357

COSTUMERS NUMBERS

	2010	2011	2012
Residential	977,750	1,087,705	1,202,805
Commercial	9,760	10,381	11,268
Automotive	367	357	324
Industrial	982	1,002	1,008
Cogeneration	23	23	25
Thermoelectric generation	2	2	2

FINANCIAL PERFORMANCE

R$ million	2010	2011	2012
Shareholders' equity	1,376	1,246	2,257
Total assets	3,848	4,308	5,968
Investments	405	510	616
Gross revenue	5,101	5,112	6,520
Net revenue	4,095	4,103	5,280
Gross profit	1,520	1,106	1,398

PROFILE

R$ million	2010	2011	2012
Operating profit (before financial result)	972	476	672
EBITDA	1,182	716	962
Net income	580	236	367
Gross debt	1,500	1,874	2,360
Net debt	1,355	1,833	2,191
Proposed dividends	84	0	0
Total shareholder remuneration	420	444	196
Dividends paid out in the year	365	380	129
Interest on shareholder equity paid during the year (net of income tax)	55	64	67
Environmental investments	3	3	1
Value added	1,676	1,072	1,369

OTHER FINANCIAL DATA

	2010	2011	2012
Current liquidity	0.69	0.59	0.58
Return on shareholder equity (%)	42.14	18.95	16.24
Net debt/EBITDA (%)	1.15	2.56	2.28
Gross margin (%)	37.11	26.96	26.47
EBITDA Margin (%)	28.85	17.46	18.22
Net margin	14.16	5.76	6.94
Earnings per share (R$)	4.84	1.97	3.06
Preferred shares	5.21	2.12	3.29
Common shares	4.74	1.93	3.00

EMPLOYEES

	2010	2011	2012
Number of employees	979	1,019	1,041
Number of outsourcers	4,170	3,702	3,802
Productivity (million m^3/own employees)	5,02	4.74	5.05

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MESSAGES FROM OUR ADMINISTRATORS

MESSAGE FROM THE BOARD *OF DIRECTORS*

Our commitment to excellence has been steadfast throughout the 140-year history of Comgás. We have constantly focused on safety and reliability while providing a service that translates into competitive advantage for industrial and commercial customers and convenience for households. This commitment was given a further boost in 2012 with the acquisition of shareholder control by Cosan, one of Brazil's biggest energy and infrastructure conglomerates.

Like Comgás, Cosan is a São Paulo company that believes in the success of this association, exchange of information, synergy, and especially in recognizing the worth of people and their experiences to achieve more efficient processes. Rated as one of the ten largest acquisitions in the Brazilian market during the year, the deal reinforces the strategic importance of the gas industry for developing Brazil's economy based on a cleaner source of fuel.

We are constantly challenged to lend ever more importance to the differentiated characteristics of Comgás as Brazil's biggest

MESSAGE FROM THE BOARD OF DIRECTORS

piped natural gas distributor, and internationally recognized traditional but modern company that has become a reference in its line of business for the quality of its operations. We take on this great responsibility in order to create new solutions to add more value to the gas supply chain and for our different stakeholders.

We reinforce the commitments made in the Comgás concession agreement, especially the most recent tariff review, which among other things, stipulates investments reaching R$ 2 billion by May 2014. We plan to maintain and even speed up the growth rate of recent years to ensure the pipeline network extends to reach 5 million potential residential and commercial customers in the coming years. We will also continue to expand in the industrial market and others such as CNG for automotive use, cogeneration, and HVAC. This is an ambitious target, since we ended 2012 with 1.2 million homes and over 1,000 industrial customers served by Comgás, but we feel sure we will meet this target and take natural gas to more municipalities in our concession area.

Our vocation is to add value based on a focused management model and well-structured sustainable governance policies. We have decided to invest even more in São Paulo and Brazil since we are committed to a long-term growth trajectory.

Rubens Ometto Silveira Mello

President of the Board of Directors

MESSAGE FROM
OUR PRESIDENT

The year 2012 marked a new stage in our 140-year history. Since November, Comgás has been part of one of Brazil's biggest conglomerates, the Cosan Group, which acquired 60.05% of Comgás capital from BG Group and strengthened the continuity of our plans for growth and high efficiency.

The year saw a number of operational records broken. We reach 1.2 million customers after connecting over 115,000 homes to our pipeline network, which was 10.6% up on the previous year. We distributed 5.3 billion cubic meters of gas, 8.8% more the previous year, and an increase that was well above the Brazilian economy's growth rate during the year with GDP at only 0,9%. The increased volume was more significant in the residential market (8.7%), in line with our expansion strategy aimed at this segment. In the industrial market, which accounts for 72.3% of volume of gas distributed, we posted a fall of 1.6% as a direct consequence of the economy's low growth rate. The natural gas for vehicles market for (CNG) continues to face the low attractiveness of reconciling the cost of converting engines with the price of gas, even if this source of energy causes less pollution than other fuels.

We invested R$ 616 million, the largest amount ever spent in a single year, in particular to add 1,300 km of extra pipeline network. To sustain this pace of investment, we signed a new loan agreement with BNDES for R$ 1.1 billion to finance our three-year expansion plan for 2012-14. Our net revenue rose 28.7% to R$ 5.3 billion, cash flow grew more than 34.4% to reach R$ 962 million, and net income rose 55.5% to a total of R$ 367 million.

Despite good financial performance, the year saw many difficulties related to the regulatory current account, which accrues the difference between the actual cost of gas and the price recognized by the regulatory agency, including tariff rates charged customers. It was a period of volatility, with an increase in the price of oil and

MESSAGE FROM
OUR PRESIDENT

the consequent impact on the cost of gas of 33.8% on 2011's cost, as the direct effect of an 18.2% exchange-rate variation (based on the level set by the regulator for Comgás tariffs). This led to a big gap between our costs and tariffs approved by the regulator, and we ended 2012 with R$ 381 million in outstanding receivables.

We obtained the regulator's approval for a set of rules creating a trigger to automatically readjust tariffs when the amount accrued in the current account exceeds 3.5% of net revenue over the previous 12 months. This mechanism has already been used in other regions in Brazil and it is critical to avoid this type of oscillation in both tariff increases for consumers and in terms of impacts on Comgás results, in order to maintain the economic and financial balance of the concession agreement.

To mitigate the effects of increases we were active bidders at Petrobras auctions in order to buy gas at more competitive costs. In 2012, we thus reduced the amount passed on to customers by R$ 171 million. However, the emergency activation of thermoelectric plants – due to low water levels in hydroelectric dams and the risk of an energy crisis – caused an increase in demand for natural gas in recent months, thus reducing the offer of the fuel in auctions and the possibility of using this model to manage fuel costs.

Comgás has firm contracts with suppliers to obtain sufficient gas to meet all demand from all segments of its market. Our main contract for gas from Bolivia will supply 8.1 million cubic meters per day through June 2019, while our firm contract for 5.2 million cubic meters ends in December 2013. Comgás is at the advanced stage in negotiations with its supplier to renew this contract and ramp up volume to meet projected demand.

On the strength of excellence in service delivery, we take pride in being one of the companies with the highest level customer of satisfaction in Brazil. A survey conducted by the São Paulo State Sanitation and Energy Regulatory Agency (ARSESP) found that 93% of our customers are satisfied with our services, which is the highest level among utilities

MESSAGE FROM
OUR PRESIDENT

operating in the state of São Paulo.

Another source of pride is the project we will be developing in Parque Villa Lobos, São Paulo, where we are investing in leisure infrastructure such as more areas of greenery and bike paths, as part of an initiative that shows our commitment to local communities.

Our disappointment in the year was not reaching our zero injury target. There were three accidents for a total of 12 million man/hours worked (both direct employees and outsourcers). Although they did not lead to significant injuries, they led to time off work for six workers, which is unacceptable. We invest in training for our employees and outsourcers because we know that safety is a question of culture and behavior. We will be making new efforts in this direction in 2013 to ensure our operations pose no health threats with gas being delivered safely and reliably.

We believe 2012 was a year of excellent results but it was also marked by challenges in our constant pursuit of efficiency. To tackle them in the future and turn them into opportunities for growth, we know that we will continue to rely on the support of shareholders and the commitment of our team of employees and outsourcers to continue to supply gas for all sorts of users and purposes.

Thank you all for your commitment and dedication.

Luis Domenech

Presidente da Comgás

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INTELLECTUAL CAPITAL

STRATEGY AND
MANAGEMENT MODEL

Our strategy is based on universalizing the use of gas by expanding our distribution network and consequently increasing customer number across all segments. In addition, five-year regulatory targets that ARSESP set as priorities for the 2009-2014 period include expanding the distribution network, refurbishing cast-iron pipes and connecting more new customers.

In 2012, we continued to progress initiatives we started in the previous year and implement more measures to strengthen our performance in health, safety, environment and quality, and asset integrity; expansion; regulatory and institutional affairs; relationship and loyalty; gas supply, and customers listed on our "Strategic Radar."

One of the initiatives was regionalizing to build closer relations with customers and provide solutions matching customer profiles in each locality.

Comgás is also continually investing in research and development projects to develop new solutions and attract more customers.

Tools

To make sure we get results, ongoing monitoring is our main management tool to boost engagement for all employees using Balanced Scorecard methodology. Targets are set in accordance with our company strategy and take into account the real situations in the market.

The Balanced Scorecard checks on fulfillment of objectives through performance indicators related to safety, financial results, operational excellence, and strategic targets. To foster engagement for all employees, our performance agreement sets annual targets for individuals to help reach the company's annual result. This is divided into four parts:

Corporate Objectives: determined by the strategic course set for the company;

Business Area Objectives: set for each business area in line with corporate objectives;

Individual objectives: challenges for each employees during the year, set together with each manager;

STRATEGY AND MANAGEMENT MODEL

Skills assessment: a "dictionary of values and behaviors" is used as the basis for evaluating each employee's results. This, in turn, must be guided by our values.

In addition to Balanced Scorecard, two more tools are used to steer Comgás initiatives:

DNA II

What we call our DNA Project involved introducing Customer Relationship Management (CRM) with the German company SAP. From April through May 2010 we mapped needs for improvement in the system and used them we review 33 servicing processes and defined a new solution for treating demands in the system, 93% of which were concluded by 2011 so that 2012 saw 100% deployment, with the remainder focused on Demand Management.

The system has become more dynamic and customer demands coming in through channels such as CallCenter, Ombudsman, Comgás Portal, stores, and Emergency responses are being forwarded for solution more quickly. Customer service underwent adjustment and standardization to enable records of requests from the various business areas. To respond to questions, we put up a hot site on the intranet with all the information, presentations, training materials, and process designs related to the improvements.

STRATEGY AND *MANAGEMENT MODEL*

VAF

Value Assurance Framework (VAF) methodology is use to help make key decisions on investments and hiring in order to assess risks and detect opportunities to add value, ensuring that all stakeholders have been identified and considered. Using multidisciplinary groups, a consensus on the alternatives submitted may be reached in order to maximize enterprise value.

CORPORATE GOVERNANCE

Based on best practices in governance, Comgás remains committed to transparency and extensive disclosure. The key event in 2012 was the change of controlling shareholder block, with 60,05% of shares now held by the Cosan conglomerate.

Sarbanes-Oxley procedures are applied by our internal structure for running internal controls over financial reporting, which is continually being revised and updated. To ensure that data on operational and financial results is disclosed to the market transparently and reliably, we adopt various practices aligned with our Values and Ethical Principles.

All procedures for disclosure of material facts or events, share trading restrictions, and security for strategic information are shown in our Investor Relations manual, which also contains the regulations for the board of directors, fiscal council (conselho fiscal), and audit committee. Together with the shareholders' meeting and the executive board, these bodies comprise the governance structure of Comgás.

The highest governing body is the Shareholders General Meeting, which holds ordinary meetings annually and extraordinary meetings whenever necessary. Its agenda includes approval of suggestions submitted by management and it is guided by opinions from the fiscal council (conselho fiscal) and external auditors for its analysis of investments and financial statements. The general meeting also elects or removes members of the fiscal council and the board of directors.

Taking part in the Shareholders General Meeting is the main mechanism available to shareholders to communicate with the board of directors. Another channel is the Investor Relations unit set up especially to attend to shareholders. In addition to these instances, shareholders, employees, and society in general may communicate directly with the board of directors by e-mail (canalaberto@comgas.com.br) or mail sent to our headquarters. The participation of a workers' representative on the board enables employees to submit questions and suggestions to the body.

CORPORATE *GOVERNANCE*

Board of Directors

The board consists of nine members, of whom seven are non-executive directors, one a member elected by employees, and an independent designated by minority shareholders. The board's president does not carry out executive functions. Their term of office is for two years and they may be reelected. Ordinary meetings are held every two months and special or extraordinary meetings whenever necessary. The main functions of the board are to elect and remove directors, define their duties; submit cases as stipulated in articles or bylaws; set the overall course of the business; select or retain external auditors and call general meetings.

Until 31th December 2012 the members' remuneration were fixed and geared to attendance at meetings as determined by the Shareholders General Meeting, and is not related to performance.

Members of the Board of Directors at the end of 2012:

Rubens Ometto Silveira Mello – President

Marcos Marinho Lutz – Vice President

Luis Henrique Cals de Beauclair Guimarães

Marcelo Eduardo Martins

Luis Augusto Domenech

André Lopes de Araújo

Alexandre Cerqueira da Silva

Jurandilson Carvalho Fernandes

Sérgio Fialdini Neto

Details of members of the board of directors are available on our Investor Relations website (www.comgas.com.br/investidores).

CORPORATE
GOVERNANCE

Executive Board

The board instated seven executive officers and a Human Resources officer to manage the company and propose management guidelines. Executives serve two-year terms that may be extended for the same period. Remuneration for these executives consists of fixed and variable portions geared to economic performance. Directors are given an annual score approved by the controlling shareholders, which is used as a criterion to assess performance.

On December 31, 2012, the executive board consisted of the following members:

Luis Augusto Domenech – CEO

Luis Henrique Cals de Beauclair Guimarães – Managing Director

Sérgio Luiz da Silva – Vice President and Commercial, Planning and Gas Supply

Roberto Collares Lage – CFO and Investor Relations

CORPORATE
GOVERNANCE

José Carlos Broisler Oliver – Operations

Carlos Eduardo de Freitas Bréscia – Regulatory and Institutional Affairs

Leonardo Serra Netto Lerner – Chief Legal Officer

Marcus Vinícius Vaz Bonini – Growth, Marketing and Relationships

Célia Maria Dutra – Human Resources (non-statutory)

Bios for our executive board members may be found on our Investor Relations website (www.comgas.com.br/investidores).

Fiscal Council

The fiscal council is a standing body that oversees management of the business, advises on related matters, reports to shareholders, and ensures that the business purpose and objectives set in bylaws or articles are fulfilled ethically, fairly and transparently. The Shareholders General Meeting appoints four members and four alternates for one-year terms and they may be re-elected for the same period. At the end of 2012, fiscal council members were:

Full Members

José Cezário Menezes de Barros Sobrinho – President

Nadir Dancini Barsanulfo

João Arthur Barroso Garcia de Souza

Guilherme Parente Caldas Barreto

Alternates

Felipe Bertoncello Carvalhedo

Carolina Bacci da Silva Bemfica

João Marcelo Peixoto Torres

Fernando de Filippo

Fiscal Council member profiles are available on our Investor Relations website (www.comgas.com.br/investidores).

CORPORATE *GOVERNANCE*

Supporting bodies

Comgás has an audit committee that acts as an advisory body to support the board of directors. Its members are José Cezário Menezes de Barros Sobrinho, representing Cosan, and Fernando de Filippo from Shell Group, and the committee meets at least quarterly. The role of its members is to fulfill duties related to analyzing the process of submitting financial statements; adequacy of internal controls for finance, operations, compliance, and risk management; ensuring independence for internal audits, selecting or replacing external auditors, and ensuring their payment and impartiality.

In addition to its audit committee, Comgás has other non-statutory committees:

Crisis Management Committee: tasked with collecting information and quickly and accurately monitoring and reporting on incidents or crisis situations and their consequences to ensure they are properly managed;

Central Safety, Health, Environment and Quality Committee (SHEQ): this body's role is to approve corporate policies, objectives, programs, initiatives and annual plans for SHEQ and Asset Security and Loss Prevention. Other functions are monitoring key performance indicator targets, including outsourcers; analyzing and discussing actual and potential incidents, validating mitigating measures and monitoring the findings of technical inspections and audits;

Human Resources Committee (HR): validates proposed changes or new HR policies and procedures, as well as all workforce related issues (conduct of operations, retaining and terminating executives, variations in salary or flexible compensation). Other tasks include analyzing parameters for collective bargaining agreements, surveying organizational satisfaction and assessing employee performance; mapping critical positions and key people at executive level and planning for succession;

Ethics Committee: tasked with deciding issues and incidents related to ethics; introducing or reviewing procedures arising from incidents; analyzing, discussing and making recommendations in relation to the Code of Conduct;

Central Asset Integrity Committee: tasked with approving policies, objectives and targets for asset integrity, key performance indicators, integrity programs and plans, and findings from checks and audits. Other tasks include monitoring performance results, discussing material failures or incidents involving integrity and submitting action plans arising from investigations of problems.

INTANGIBLE *ASSETS*

Competitive advantages have enabled Comgás to report fine performance throughout its 140-year history. Over this period, we have built up intangible assets that are hard for competitors to replicate, which adds to recognition and appreciation of Comgás.

Brand – Based on its Natural in your life slogan, Comgás is strengthening the presence of its brand in the everyday lives of all natural gas consumers.

Natural na sua vida.

Distribuition network– As Brazil's biggest distributor of piped natural gas, we have over 9 thousand kilometers of network delivering natural gas to some 1.2 million residential, industrial and commercial segment consumers in 71 towns and cities of the the concession area.

Innovation – A number of our research projects seek to encourage rational use of natural gas and boost its share of the Brazilian energy matrix. A research and development program to encourage conservation and rational use of natural gas was started in 2004. Since then, over R$ 24 million has been allocated to 100 projects run in partnership with leading universities such as USP, UNICAMP, and UNESP, all of them renowned for their research centers and new firms. In 2012, we held a workshop on "Knowing Comgás and its Business - Partnership Opportunities for Research Projects" that targeted university professors and key professionals at research institutes and technology firms in order to publicize our R&D and encourage attendees to formulate projects of interest to Comgás in the fields of innovation, research and development. Investments in this program for 2012 totaled R$ 4.5 million for 16 projects, including the following:

INTANGIBLE
ASSETS

Water heating systems for buildings powered by a solar energy combined with natural gas - technical manual for designing and building solar/ gas water-heating system

This project developed in partnership with Abrinstal and USP's Energy and Electrotechnic Institute to develop a technical manual for a water heating system to be used in buildings, combining solar energy with natural gas. The technical manual was developed to assist architects, engineers, designers, installers of building installations and manufacturers of water heating equipment, to steer the interests of these professionals toward using and enjoying this alternative source of energy in their projects, and thereby ensuring continued use of natural gas. Another contribution made by the project was improved heating systems after intensive research in countries that have leading-edge technology for solar/natural gas energy.

Asset Integrity, Maintenance, Technical Standards, and Materials Management

In partnership with Unicamp, this project looked for a safe way of running maintenance initiatives, thus optimizing frequency for preventive maintenance and inspections and reconditioning components used in reducing stations and CRM. One of the key benefits of this project is that over a 20-year cycle it will be possible to maintain high levels of reliability and ensure an OPEX reduction of around R$ 3.9 million. By optimizing reconditioning initiatives programmed for reducing stations, we maintained a reliability level of around 99% with a 10% reduction in component inspections. CRM reduced component inspections by 19% with reliability levels ranging from 99% to 90% depending on application requirements.

Concession agreement – Our concession agreement for public distribution of gas ends in 2029 and may be renewed for another 20 years. Through the ARSESP regulatory agency, the state government decides which services will be

INTANGIBLE *ASSETS*

provided and their prices. At the end of the concession agreement, the State of São Paulo retains ownership of all infrastructure.

Controlling Shareholder – Cosan is one of Brazil's biggest business corporations doing business in the infrastructure and energy segments. The conglomerate's member companies include Rumo Logística, Cosan Lubrificantes e Especialidades (lubricants), Radar Propriedades Agrícolas (farms), Comgás, and Raízen.

Comgás has traded in the Novo Mercado segment of São Paulo's stock exchange since 2005, and Cosan Limited (CZZ) has been listed on the New York Stock Exchange (NYSE) since 2007. In the reporting period ended 31/03/2012, Cosan posted R$ 24.1 billion consolidated revenue to show a 33.4% increase on the previous period.

Experienced personnel and management – Our business affairs are transparently and ethically managed with a highly professional approach. Our directors and officers build on their technical excellence and experience in the piped-gas market. Our staff is highly trained and we keep up to date through ongoing training and development programs. By recognizing people, we encourage new ideas and contributions to our successful business.

Knowledge Management – Structured mapping processes chart the competencies and skills required for each occupation and position in order to foster effective management and disseminate knowledge while ensuring business continuity over the years. Through this model, individual abilities add value to organizational knowledge and the workplace environment becomes a continuous learning opportunity for all employees.

Awards and Certifications

- **ISO 14001:** For the tenth consecutive year, our company earned ISO recertification, which shows the importance we attach to environmental responsibility in developing our activities.

- **Safety Achievement Award:** For the fifth consecutive year, our

INTANGIBLE
ASSETS

company took the American Gas Association award for the lowest level of reportable incidents involving lost time, restricted work, or occupational transfers.

- **MasterInstal:** An award made by the fitting and installation industry association (Sindinstalação) saw Comgás get case studies recognized in two categories: "Applied Technology" and "Quality, Compliance and Sustainability". We have also been sponsoring the Qualinstal program for 10 years and another award received this year came in recognition of our fine record in this respect.

- **Modern Consumer:** For the seventh consecutive year, Comgás was rated as the company that shows most respect for consumers in the piped gas sector. This award made by Consumidor Moderno magazine listed 42 Brazilian companies that showed most respect for consumers.

- **Diversity**: For the fourth consecutive year, São Paulo's state government awarded Comgás its Seal of Diversity for developing programs, projects and activities to foster and recognize diversity in its workplaces and areas of activity.

CAPITAL INTELECTUAL

RISK
MANAGEMENT

Comgás has a standing committee that monitors, discusses, and adopts measures to minimize exposure to risk affecting operations and/or performance. The committee comprises representatives from all business areas and meets monthly. As a support tool, it structured the online risk management system that it been using for five years.

The main risks to which we are exposed and which we manage are:

Market risks

To minimize risks, the company invests in its product portfolio and sales policies are constantly reviewed and reformulated. One of the key strategies is to maintain close relationships with consumers from all segments (Industrial, Residential, Commercial, Cogeneration, HVAC, Peak time Generation and Thermoelectric generation) through customer service and regionalized operations. This initiative enhances our understanding of the needs of each region in the concession area and builds customer loyalty. To further expand service options and boost demand and consumption, we also invest in Research and Development.

Exposure to any significant fall in demand is minimized by growing customer-base numbers. The diversity of customers of different sizes and sectors means that our Industrial segment (accounting for 72.3% of business in 2012) is one of the main factors reducing of risk of loss arising from any crises that may affect specific segments of the company.

Another measure to minimize any risks, obtain more affordable prices, and pass on this advantage to consumers, while keeping the product more competitive with other energy sources, is to maximize our participation at gas auctions held by Petrobras. Since we started doing so in 2009, we have saved R$ 910 million through 2012. This year alone, savings for customers reached R$ 171 million, which amounts to a 5.3% reduction in mix cost during the year.

Operational Risk

Measures taken to ensure asset integrity and safety, which are priorities for Comgás, included technical training

RISK
MANAGEMENT

for employees and outsourcers. In the course of 2012, 561 technical training events were held to cover 92 subjects for a total of 4,141 hours and 10,747 participations.

We also have a Loss Prevention Plan that is constantly updated. Its focus is to hold training sessions for employees, outsourcers and employees of municipalities and utilities (electricity, water, and sanitation) to raise awareness of the dangers of construction or repair work around gas pipelines and avoid actions that could affect our operations. One of the topics covered in these training sessions was how to read records and maps to locate gas pipelines. Altogether, 20,000 sets of records were distributed and 2,960 professionals trained at 114 training sessions taking 8,336 hours.

We also maintain ongoing processes and other training. The highlight of the year was aSafety Case study for managers, and 74 professionals have been trained in 38 areas. In addition, 300 Comgás employees and 1,500 outsourcers attended sessions on the risk of gas leaks.

Another initiative detected, managed and eliminated irregularities at 216 points of the pipeline network.

To ensure that our culture for Safety and Asset Integrity is disseminated to outsource, Congas uses a multiplier program for the professionals involved. This year, we trained 53 professionals from 31 companies. To control the number of outsourcers attending training sessions we have had the SAP HR tool since 2012, for 28 companies, and 56 new operatives have been trained. By using of this tool, Comgás ensures control over 90% of outsourced labor.

Another highlight has been ongoing monitoring of cast iron pipes, which are replaced by polyethylene or steel pipes when necessary. These pipelines are located in downtown São Paulo and the neighborhoods of Mooca, Santana, Jardins, Pinheiros and Perdizes. There were 1,200 kilometers of cast-iron pipes in 1999. In 2012, 83 kilometers were replaced, leaving only 300 km after replacing an average of 80 km/year and there will be none left within four years.

RISK
MANAGEMENT

Another factor ensuring operational integrity is maintenance coverage, which reached 99.73%, in 2012. In addition, 30 gas regulation stations were refurbished and 30 telemetry stations adjusted.

Supply risk

Comgás has firm contracts for gas supply sufficient to meet all demand from its market segments. The main contract for gas from Bolivia – 8.1 million cubic meters per day – ends in June 2019, while the firm contract for 5.22 million cubic meters/day expires in December 2013. Comgás is in advanced negotiations with its supplier for renewal of this contract and ramping up volume to meet projected demand.

On the operational side of distribution, Comgás is constantly investing to extend its pipeline network. A highlight in the year was obtaining a license to lay a pipeline boosting capacity to deliver high-pressure natural gas in the São Paulo metropolitan region (as part of the "Retap" project). Pipeline construction will absorb investment of R$ 83 million and is scheduled to start in 2013 and take 15 months. A total of 27 kilometers of pipeline (24 of them submerged, on the bed of the Billings reservoir) will go through São Bernardo do Campo and São Paulo. The new pipeline will also supply the Fernando Gasparian thermoelectric plant.

Our Demand Planning aims to secure raw materials, labor and technology to expand and maintain pipeline networks. In addition, suppliers and their employees are being constantly involved in education and training efforts. All outsourcers go through registration procedures and have their technical competence tested before starting their activities and their safety, quality and operational performance levels are monitored to ensure the success of the process as a whole.

Environmental Risk

Gas leakage is a major environmental risk for Comgás. To prevent and mitigate the problem, we run controls of emergencies and damages that involve constant monitoring and an emergency logistics infrastructure to ensure rapid response to calls.

RISK
MANAGEMENT

Our structures include Control and Radio Rooms, and our telephone service is on 08000 110 197.

In addition, only projects with environmental licenses are being developed and there is a search for alternatives that ensure low environmental interference. In 2012, the prime example was the Billings reservoir (Retap Project), where we decided on the submerged pipeline option as the one that least affected the environment. Gradually laying pipeline at the bottom of the reservoir avoided its rotating. The project was altered to minimize removal of native forest in the nearby park (Parque Estadual da Serra do Mar) and we also signed a new agreement with the SOS Mata Atlântica NGO to planting 15,000 saplings of native Atlantic vegetation species.

Comgás also has an ISO 14001 certified Integrated Management System (IMS), which includes all actions and procedures to minimize environmental impacts caused by our operations for to the environment, customers and the general public.

Additionally, the environmental licensing procedure for natural gas distribution networks includes all risk assessments and mitigating actions required to comply with standards and requirements set by environmental agencies.

Control, fraud and reputation risks

The Code of Conduct is our main means of upholding our reputation as a solid and reputable company. All employees sign it and the document undergoes constant revisions that are publicized at training sessions. There is also a fraud officer (position held by a director) responsible for managing risks, determining exposure factors and analyzing suspicious situations that may mean dismissal if confirmed, in the case of employees, or termination for outsourcers. Issues may be reported by email canalaberto@comgas.com.br or by calling 0800 702 40 80. In 2012 there were no cases of dismissal of an employee or outsourcer contract cancellation due to corruption.

RISK
MANAGEMENT

Regulatory risks

Since 1999, when Comgás was delisted, it has been subject to control by the São Paulo State Sanitation and Energy Regulatory Agency (ARSESP). There is ongoing communication with the agency aims to formulate and enhance policies for the sector.

Financial risks

The principal financial risks to which Comgás is exposed relate to liquidity, financing and refinancing, interest and exchange rates.
In relation to these factors, the following mechanisms are used:

- Mixed sources of funding to avoid large concentrations in financial institutions;

- Debt refinancing is spread over different periods to manage due dates;

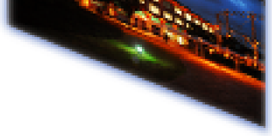
- Covenants appropriate to the company's investment grade credit rating (contractual conditions binding Comgás as debtor);

- Transactions charged interest at floating rates;

- Hedging against exchange-rate fluctuation through swaps, forwards and options;

- Hedging for at least 75% of amounts contracted in excess of R$ 500,000;

- Quarterly evaluation and annual approval of counterparties with whom we negotiate for cash management, floating, foreign currency, liquidity investments, banking collection and derivatives, assigning each financial institution a maximum exposure limit as a preventive measure.



6

BUILT CAPITAL

OPERATIONAL PERFORMANCE

Comgás operations are based on the premise of ensuring that gas is delivered safely and reliably with quality and continuous investment in growth and modernization. This is translated in several record numbers this year, such as the customer base reaching 1.2 million – of whom 116,000 are new customers added in 2012; 1,300 km of additional pipeline network, with investments up 21% on 2011 to a total of R$ 616 million.

TOTAL VOLUME OF GAS DISTRIBUTED IN THE YEAR ROSE 8.8% ON 2011, FROM 4.8 TO 5.3 BILLION CUBIC METERS.

During the year, eight expansion projects were initiated that will extend into 2013. Among the highlights were enhancements for the High Pressure Pipeline Network (local acronym Retap), which includes laying 27 kilometers, part of it under the Billings reservoir, which will reinforce the natural gas distribution system for the São Paulo Metropolitan Region and ensure that growing demand is met with quality, reliability and safety. This project is also crucial for electricity, since some of this gas will be used by the Fernando Gasparian thermoelectric plants. Other projects are planned to extend the pipeline network to the city of São João da Boa Vista; interconnect systems in the cities of Limeira and Rio Claro; interconnect and combine pipeline networks supplying the cities of São José dos Campos, Caçapava and Taubaté; interconnect the Campinas and Capivari pipeline networks, and construct three new city-gates in Pindamonhangaba, Guaratinguetá and Caçapava (transfer stations for gas received from Petrobras, at which pressure is reduced).

Residential market

The residential segment is a strategic market for Comgás due to its high growth potential and the attractiveness of this segment to the Company's business. In 2012, Comgás invested

OPERATIONAL
PERFORMANCE

R$ 464 million to grow its customer base and again beat the record for connecting new residences by adding 115,000 new residential customers, of which over 63,000 were apartments in new projects, 34,000 houses, and another 18,000 inhabited apartments.

In the new housing segment, our performance was the result of a strategy to strengthen partnerships with constructors and developers, prioritizing the delivery of pipeline supply networks by the deadlines agreed to ensure supply of natural gas for different types of real estate developments, while developing technical projects with the objective of disseminating and extending the use of natural gas as an affordable and safe environmentally friendly energy source.

In the retail segment, we carried out 15 projects spread around the concession area, resulting in a 24% growth in homes connected. In 2012, the following projects were initiated: Piracicaba (interior of the state), Butantã and Tucuruvi (in São Paulo) and Diadema and Santo André (in the ABC region).

To gain these customers, Comgás developed a marketing strategy that has proven effective: getting the attention of the local community in an area where new pipelines are being laid; arousing curiosity around the presence of Comgás in the region; an "opens doors " initiative to gain the confidence of prospective customers, and finally a salesman-technician visiting homes to explain the advantages of using piped natural gas.

In 2012 Comgás initiated a project in the upscale housing area of Jardim Paulistano in São Paulo, using marketing and communications strategy specifically aimed at this high-income and high-potential-consumption segment.

Of the 115,000 new customers added, around 85,000 have natural gas heaters – a number that reflects the commitment of our sales units to advising and encouraging new customers on the use of water heaters. Our programs to expand use and new applications connected 200 new pool heaters in residential communities, and initiated a pilot project to encourage customers to install clothes dryers

OPERATIONAL PERFORMANCE

in new developments. Compared to 2011, the number of customers in this market grew 10.6% with an 8.7% increase in volume distributed to reach 198.9 million cubic meters.

Commercial

A total of 1,119 new contracts were added to the customer base, a record in terms of new commercial customers added to reach 11,268 establishments of different sizes, showing an increase of 8.5% on 2011's total of 10,310. Volume delivered rose from 108.3 to 111.6 million cubic meters. Growth in both volume and customer numbers was the fruit of joint work between sales and connection teams in this segment. This team focuses on adding new customers while retaining current ones and is aligned with residential expansion to identify potential synergies between markets.

Among the 11,000 plus customers served in this segment there is a group of approximately 500 commercial establishments that accounts for 40% of volume of gas distributed. These customers' whose monthly consumption exceeds 2,000 cubic meters are targeted by exclusive Comgás consultants focusing on retention and loyalty, and seek to expand relationships with these

OPERATIONAL PERFORMANCE

customers through new opportunities and applications for gas.

The market shows significant potential, with higher consumption per customer than the residential segment. To attract new customers, Comgás is developing incentive programs for the use of natural gas in traditional applications, unconventional solutions such as HVAC, commercial cogeneration and peak time generation, focusing on medium and large-size establishments.

The volume of gas distributed to commercial establishments that use gas for HVAC or peak time generating totaled 14.4 million cubic meters, an increase of 4.4% on the previous period (13.8 million cubic meters). The number of customers increased from 51 to 57, with growth in the shopping mall, supermarket, and educational segments among others. Peak-time generating customer numbers rose from 13 to 21. These customers generate their own electricity from natural gas during peak hours (from 5 pm to 8 pm), when electricity is more expensive. The corporate buildings sector has shown interest in this application, which in addition to savings of up to 40%, helps earn sustainability certifications through the energy security obtained and lower emissions compared to conventional diesel-fired generating solutions.

The area is seen as an important sector for growth potential. Comgás also plans to attract new gas equipment suppliers to Brazil as a way of boosting supply and competitiveness, as well as facilitating access to technologies and customer services. The company has staff specializing in B2B services for each new project, who are doing detailed work on all technical and economic benefits to decide the best energy configuration and balance for each customer.

Industrial

This segment is the largest market in terms of volume for Comgás with 1,008 customers accounting for 72.3% of sales. In 2012, 240 contracts were renewed and 48 new customers signed up. Volume delivered reached 3.79 billion cubic meters, which was 1.6% down on the previous year's 3.85 billion cubic meters. This decrease was mainly due to the slower economy in Brazil and internationally but also reflects current domestic industrial competitiveness issues.

In addition to commercial prospecting, pipeline network extension and attracting new customers, the company has a close partnership with the state government of São Paulo through the São Paulo Investment and Competitiveness Agency (locally known as Investe São Paulo), which works to attract new businesses to its concession area. Major new customers due to enter our portfolio in 2013 include Japan's Asahi Glass Company (AGC) in Guaratinguetá and the steelmaker GV do Brasil in Pindamonhangaba.

Comgás growth strategy also aims for maintenance and retention of its industrial customer base, working to develop new uses for natural gas, and constantly prospecting new industries in several growth areas.

Comgás maintains a structure of technical/commercial consultants to provide differentiated service for customers. They make regular visits to all these companies to enable closer relations and learn about their needs and potential. Transparency and credibility in this relationship, plus safe and sure supplies of gas resulting from efficient asset management, mean that customers feel safe in relation to natural gas supplies for their operations.

In relation to the improved competitiveness of natural gas, Comgás continued to bid at Petrobras gas auctions in 2012. Savings of R$ 910 million from 2009 to 2012 have been fully passed on to customers.

Cogeneration

The cogeneration market grew 3.4% in terms of volume of gas distributed in 2012, compared with the previous year. For the year, Comgás sales to this segment totaled 357.5 million cubic meters against 345.7 million cubic meters distributed in 2011. Cogeneration was seen to be a strategic alternative for industrial customers given its high level of efficiency and reliability compared with conventional alternatives. The number of customers in this market increased from 23 to 25, with two new

OPERATIONAL PERFORMANCE

shopping malls connected (Parque das Bandeiras in Campinas, and Center Vale in São José dos Campos). Two more new customers signed up in 2012 and will be connected this year, one is a data-center, and the other is a bank's administrative building.

In addition, Comgás is working in partnership with the Energy Cogeneration Industry Association (Cogen) on proposals for public policies to be submitted to federal, state and municipal governments showing that natural gas is a viable alternative in markets for HVAC and qualified cogeneration (also known as distributed generation). This effort aims to promote and disseminate the application of gas solutions on a larger scale, while also helping to minimize risks arising from any possible electricity supply outages through the centralized system and ensuring more reliable energy supplies for our customers.

Automotive

CNG for automotive use was able to show improved competitiveness and credibility in 2011 and 2012. Initiatives in 2012 included a partnership with Comgás accredited conversion-kit manufacturers and installers to cut the cost of the fifth-generation kit, which is more efficient and economical. Its average cost was reduced from R$ 5,000 to R$ 3,990 and we launched a test run under the slogan "Now You Can," which also highlighted the savings obtained by using natural gas compared with other fuels.

This lower-cost installation was only possible thanks to negotiations between Comgás, gas cylinder and kit manufacturers, and installers under Program 10 (a partnership between Comgás and the Gas Technology Center, under which installers were audited to check the quality of their manpower and equipment, focusing on safety).

Taxi drivers were among the segments targeted by this test run, with a R$ 500 bonus lowering the price of the conversion kit to R$ 3,490. São Paulo has Brazil's largest fleet of taxis with some 35,000 vehicles, of which 8,000 are powered by gas.

OPERATIONAL PERFORMANCE

It is estimated that there are now 140,000 CNG-powered vehicles in São Paulo, with 324 gas stations in 50 municipalities of the Comgás concession area. In terms of volume of gas distributed, this market shrank by 5.5% from 290.9 to 274.8 million cubic meters.

Thermoelectric generation

Volume of natural gas delivered to this segment showed strong growth due to an increase in power dispatched from thermoelectric plants, as ordered by the Independent System Operator (ISO). The total rose 843% from 55.9 million cubic meters in 2011 to 527.0 million in 2012. Low levels of rainfall and rising demand for electricity also made for higher consumption.

7

FINANCIAL CAPITAL

GAS
MARKET

Natural gas provides 10.2% of Brazil's energy according to data for base-year 2011 from the 2012 National Energy Balance (BEN) report from Brazil's Energy Research Company. According to the Brazilian Association of Piped Gas Distributors (Abegás,) daily consumption in 2012 was over 65.5 million cubic meters, which was 37.6% up on the previous year (47.6 million cubic meters). This strong growth was driven by activation of thermoelectric power plants due to low water levels in hydroelectric plant reservoirs.

Residential segment consumption rose from 871,000 to 911,000 cubic meters/day. Especially in the case of Comgás, this information may be ratified by the record number of new customers added in this segment in 2012, which was 115,000, of which 85,000 (75.2%) were new connections for heaters.

The commercial segment grew 4.0% with consumption at 747,700 meters cubic of gas/day. However, the industrial segment posted a 12% fall in gas consumption, from 28.8 to 25.4 million cubic meters/day. According to an industry association, this was the most significant decrease since 2009's 20% fall.

The figures also show that the vehicle segment remained unchanged but there was significant growth of 5.6% in December.

ACCORDING TO THE BRAZILIAN ASSOCIATION OF PIPED GAS DISTRIBUTORS (ABEGÁS,) DAILY CONSUMPTION IN 2012 WAS OVER 65.5 MILLION CUBIC METERS, WHICH WAS 37.6% UP ON THE PREVIOUS YEAR.

Abegás reported that one highlight in the year was record consumption of 70.9 million cubic meters per day in November, showing an increase of 41.5% on the same period of 2011, due precisely to demand from thermoelectric generating

GAS
MARKET

plants, which consumed 28.1 million cubic meters per day.

By region, the Southeast remained the largest consumer with 44.3 million cubic meters/day, followed by the Northeast with 9.9 million; the South with 6.4 million; the North with 2.8 million, and the Midwest with 2 million. The pipeline network was extended by 9.0% to reach 22,800 kilometers in 2012 from 20,900 in 2011.

Perspectives

In 2012, the International Energy Agency (IEA) publication Golden Rules for a Golden Age of Gas posed a series of guidelines to be followed and assessed to ensure that natural gas is really cleaner and safer than others fossil sources of energy.

These measures include the need for full transparency, measurement, and monitoring of environmental impacts and involvement with local communities. In this respect, Abegás estimated that by 2020 numbers of natural gas consumers in Brazil will have risen 67.3% to over 3.2 million with the pipeline distribution network growing 84.1% growth to 37,400 kilometers. Abegás adds that gas distributors will have invested around R$ 18 billion and paid R$ 4.41 billion in taxes.

FINANCIAL PERFORMANCE

The record growth of the customer base, volume of gas and pipeline distribution network in 2012 boosted Comgás results for a year in which the company also made record investments, allocating R$ 616 million to extend and improve the pipeline network. This amount was 21% more than the previous year's investment. In addition, net revenues from sales and services were the highest ever in the company's 140-year history.

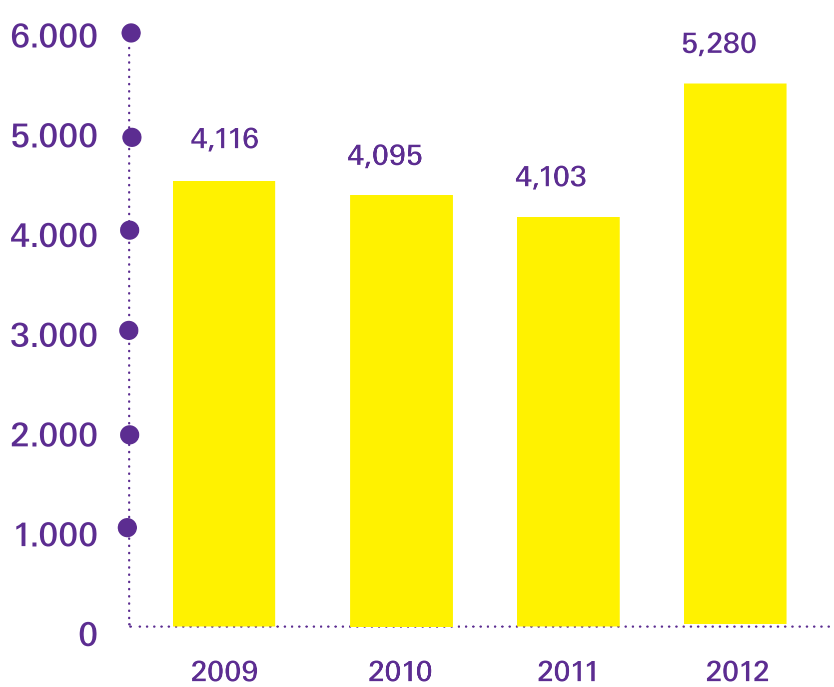
RESULTS

Net revenues from sales and services were the highest ever in the history of Comgás with a total of R$ 5.28 billion in 2012, 29% higher than the previous year, reflecting 8.8% growth in volume of gas sold, higher gas prices – arising from exchange-rate variations in particular – and tariff adjustments

GAS
MARKET

authorized by the regulator in May and November.

Net revenue (R$ million)

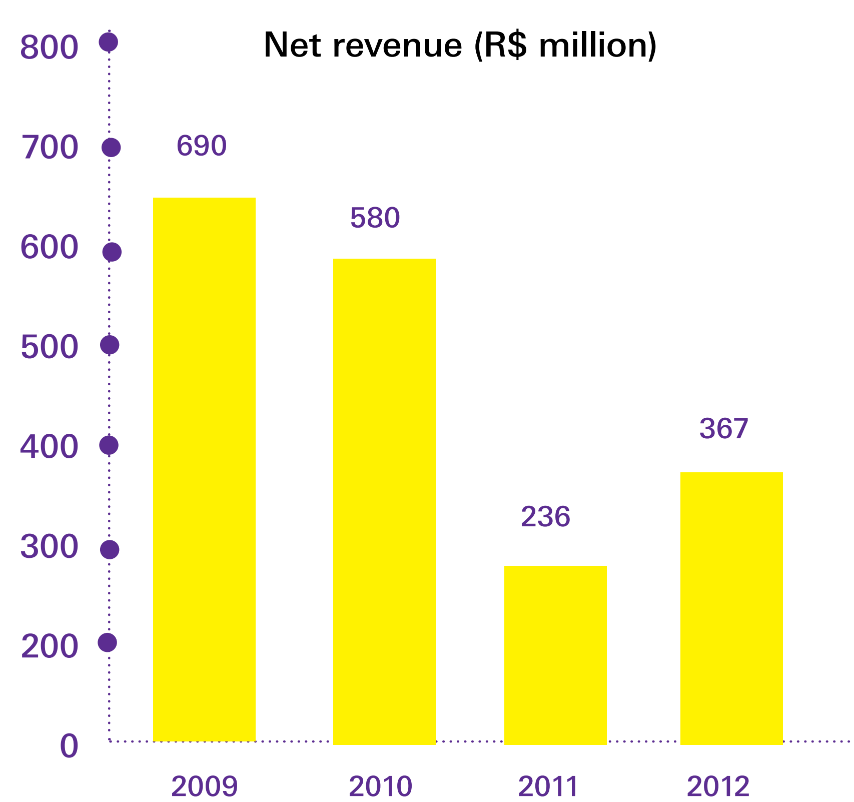


actual cost incurred and the cost included in gas tariffs charged to customers. These differences are passed on through periodic adjustments or in tariff reviews determined by the regulatory agency.

Selling, general and administrative expenses totaled R$ 726 million, which was 15% higher than 2011's number, driven particularly by rising amortization expenses (R$ 290 million in 2012 against R$ 240 million in 2011) due to increased intangible assets during 2012. Net interest expenses showed a variation of 2.3% to a total of R$ 164 million.

Gross profit rose 26% from R$ 1.11 billion in 2011 to R$ 1.40 billion in 2012. EBITDA cash flow (earnings before interest, tax, depreciation and amortization) grew 34% on the previous year (R$ 716 million) to reach R$ 962 million. If EBITDA were adjusted for the effect of the regulatory current account, it would be R$ 1.17 billion and 5% higher than in 2011. The regulatory current account accrues differences between

Net revenue (R$ million)



GAS
MARKET

As a result of this performance, net income rose 55% to a total of R$ 367 million from R$ 236 million in the previous year, reflecting increased volume and a reduction in the regulatory current account. If earnings were normalized by the regulatory current account, the result would be R$ 523 million, which would be 7% higher than the previous year.

Adjustments

ARSESP authorized two tariff increases in 2012. The ordinary annual adjustment was in force from May 31 and ranged from 3.16% to 12.61% for residential customers, 11.38% to 16.61% for the industrial segment, 3.20% to 11.39% for commercial customers, and 11.89% for CNG (compressed natural gas) stations. This adjustment reflected inflation of 3.65% in the period (taking the General Market Price Index, IGP-M) and an X factor of (0.82)%, resulting in a net adjustment of 2.83% for Comgás margins.

An extraordinary adjustment was authorized in late November to reflect the updated cost of imported natural gas. It was also influenced by higher average prices of gas purchased from Petrobras through auctions. The average increases were 2.2% for the residential segment; from 4.55% to 5.37% for the industrial segment; 6.34% to 7.05% for large users; 2.76% for the commercial segment, and 7.50% for CNG.

Indebtedness

At the end of 2012, the company's gross financial debt totaled R$ 2.4 billion, which was 26% more than 2011's (R$ 1.9 billion). Net debt was R$ 2.2 billion and showed a 20% increase from the end of the previous year, impacted by the record volume of investments made during the period. Gearing fell from 2.56 times to 2.28 times Ebitda on higher cash flows.

Some 61% of total funding is for long-term repayment in 2018 and thereafter. Domestic currency debt totaled R$ 1.5 billion, or 63% of the total.

GAS
MARKET

DEBT COMPOSITION (SHORT- AND LONG-TERM)

	2011	2012
Total indebtedness	1,874,061	2,360,425
Net debt	1,832,950	2,190,700
Short-term debt	421,104	925,306
Long-term debt	1,452,957	1,435,119

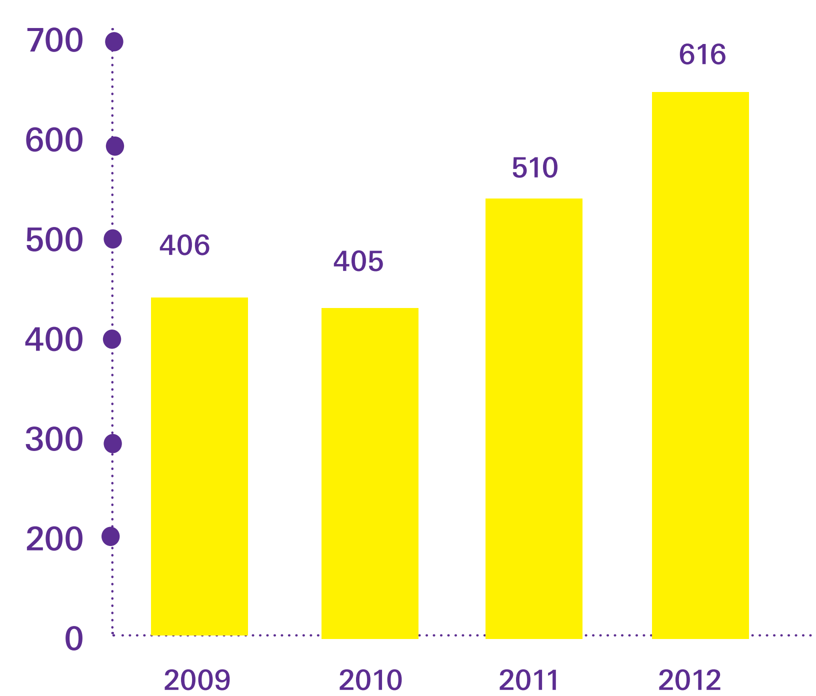
Investiments

Comgás made record investments in 2012, with R$ 616 million used to extend and modernize its pipeline network. The larger part was for extension, with over 1,300 km added to the pipeline network.

BNDES approved R$ 1.12 billion funding for Comgás, which covered 56% of the total investment planned to extend the natural gas distribution network from 2012 through 2014. The project is part of the effort to scale up use of natural gas in the concession area. Since 2006, having reached a high percentage of customers in the industrial segment, Comgás has focused on strategic growth in residential and commercial markets.

Executing this strategy translates into investment in new piped gas distribution networks with maintenance, relocation, replacement, renewal and remote sensory survey of the existing network for reliability, as well as IT investments to underpin this growth. Our investment plan may also boost security for the supplies in the São Paulo Metropolitan Region by reinforcing the São Paulo Metropolitan Ring structure (Retap).

Investment (R$ million)



GAS
MARKET

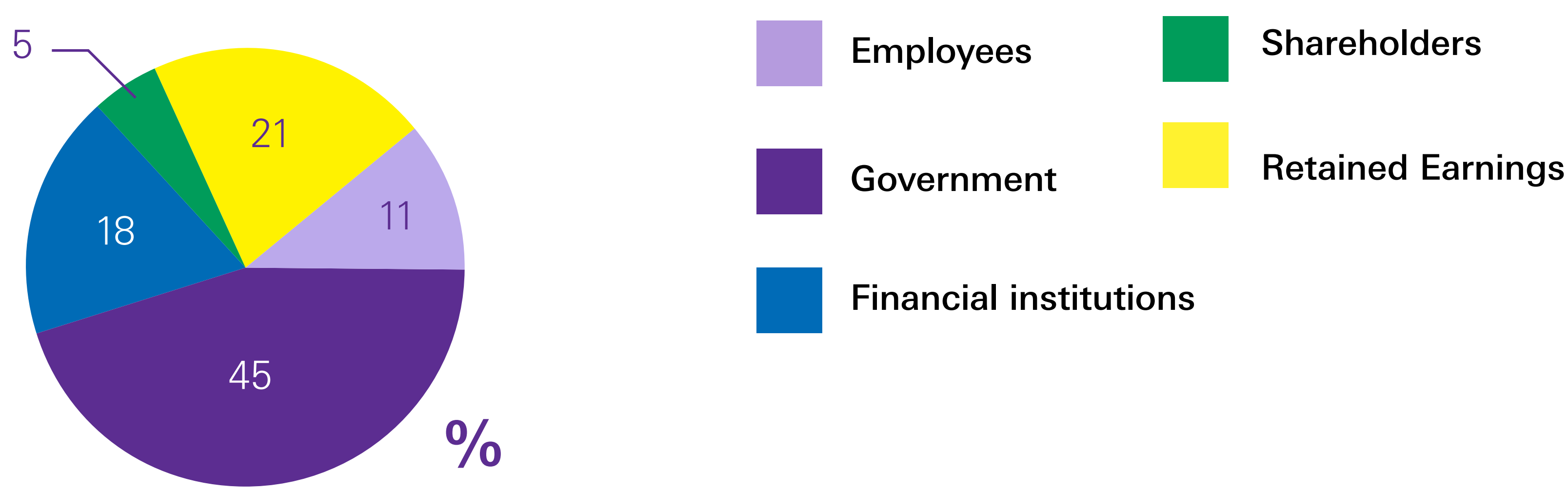
Value added

Value Added totaled R$ 1.37 billion, 28% up on 2011. This indicator for aggregation of wealth to society is represented by the difference between revenues and cost of gas and outsourced services, plus depreciation and amortization.

Statement of Value Added

	2010	2011	2012
Distribution of value added	1,676,376	1,071,671	1,369,067
Payroll and related charges	114,578	132,069	145,473
Taxes, levies and contributions	787,338	485,132	615,588
Financial expenses and rents	194,480	218,330	241,351
Dividends	83,696	0	0
Interest on shareholders' equity	62,391	69,799	71,007
Retained earnings	433,893	166,341	295,648

Value added



CAPITAL
MARKETS

Comgás preferred shares gained 33.6% in 2012 to end the year at R$ 58.50 on the São Paulo Stock Exchange (BM&FBovespa). They outperformed the Ibovespa index, which covers the highest liquidity stocks in the Brazilian market, which posted growth of 7.4%. Comgás market value totaled R$ 6,615 billion. Shares are registered under the codenames CGAS3 (common) and CGAS5 (preferred).

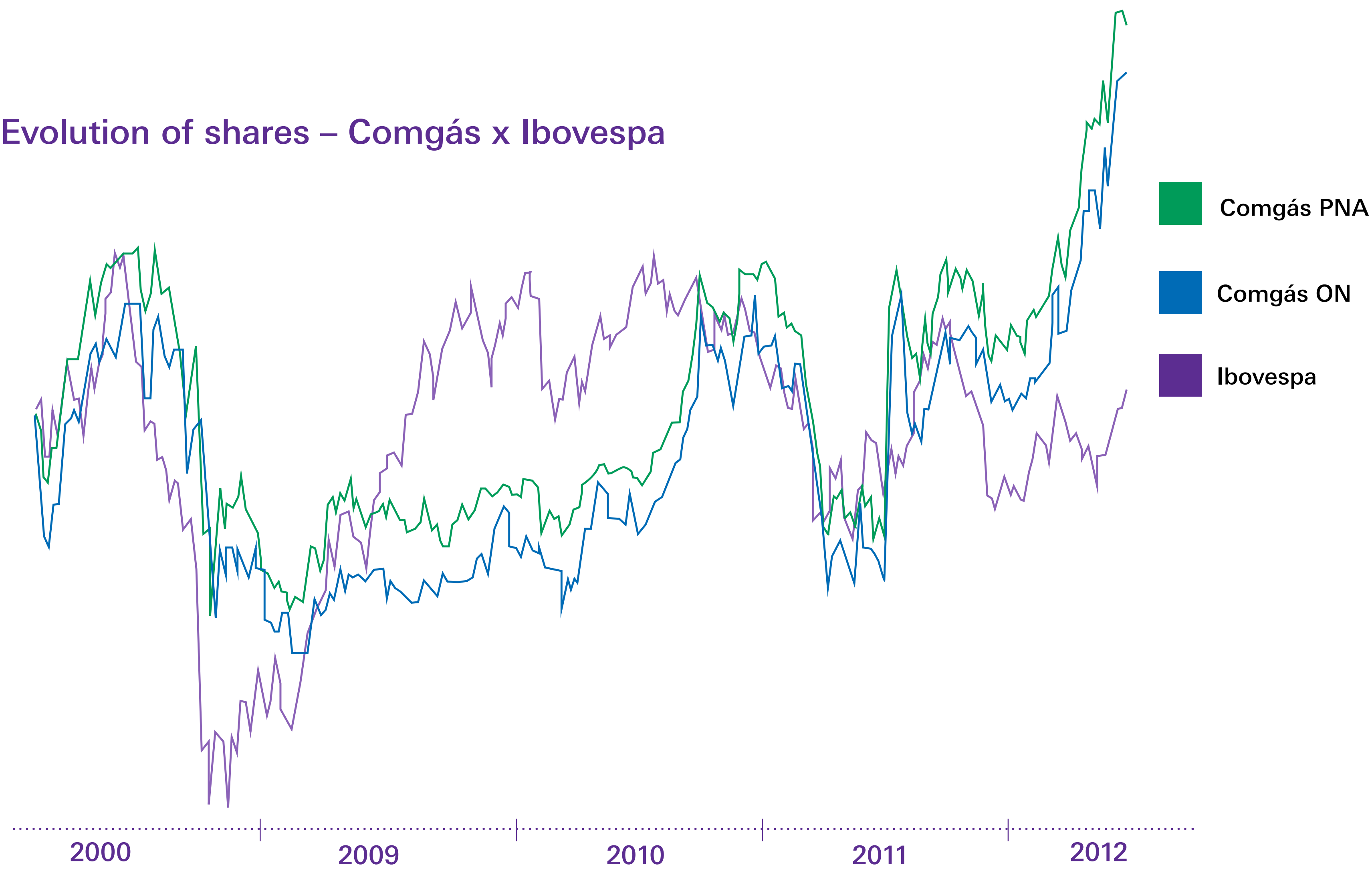
During the year, there were 49,984 trades with a financial volume of R$ 896 million, 73% higher than in 2011, and presence in 100% of sessions. Like the evolution of prices, this added liquidity reflects the market's favorable perception of corporate restructuring during the year and consequently greater visibility when Cosan took control.

Comgás has been a public company since 1996 and listed on the BM&FBovespa exchange since 1997. Its capital consists of 119,823 shares, of which 93,911 common shares (ON, with voting rights) and 25,912 preferred class A (PNA). Of this total, 60.05% belong to the controlling shareholder. Free float shares in the market at the end of the year amounted to 22.5%.

Studies for migration to the Novo Mercado started in 2011 but were temporarily suspended because of a request from minority shareholders to further examine this issue.

CAPITAL
MARKETS

Evolution of shares – Comgás x Ibovespa



Share turnover

Month	Trades	Volume traded ('000 shares)	Financial vol. R$ '000)	Average daily vol. (R$ '000)	Closing price (R$/share)
Jan	2,112	738	31,203	1,486	41.60
Feb	3,034	873	38,093	2,005	43.95
Mar	5,926	2,406	110,289	5,013	46.19
Apr	4,637	1,701	78,305	3,915	46.05
May	7,274	2,023	89,708	4,078	42.00
Jun	5,340	1,871	78,807	3,940	43.50
Jul	3,075	795	34,134	1,625	43.25
Aug	3,335	3,758	168,511	7,327	45.55
Sep	4,267	1,674	77,781	4,094	45.56
Oct	3,647	1,439	71,026	3,228	53.45
Nov	3,287	847	45,129	2,375	55.15
Dec	4,050	1,301	73,438	4,080	58.50
Total 2012	49,984	19,426	896,424	3,644	58.50

CAPITAL
MARKETS

Shareholder remuneration

At a meeting held on December 3, 2012, the board of directors approved payment of interest on shareholders' equity and dividends totaling R$ 200 million. The reduction in the amount compared to the two previous years reflects the impact of exchange rate changes on gas costs, with consequent impact on net income for the company. As a precaution, distribution of profits to shareholders was limited.

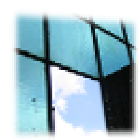
This corresponds to a 2.9% dividend yield (dividend/share price ratio) and a 55% payout (total remuneration/net income).

Interest on shareholders' equity amounted to R$ 71.0 million for 2012, corresponding to a gross amount per unit of R$ 0.5800561305478570 per common share and R$ 0.6380617436026430, per preferred share.

Interim dividends for retained net income account for fiscal 2011 totaled R$ 129 million – a gross amount per unit of R$ 1.0537440998406900 per common share and R$ 1.1591185098247500 per preferred share. These amounts of interest on shareholders' equity and dividends were paid in full in December 2012.

Investor relations

The year's highlight was Comgás participation in Cosan Day, an annual market relationship event held by the company's controlling shareholder. In São Paulo, on November 26, the meeting was attended by about 320 investors, financial analysts, and journalists. In New York on November 12, the meeting was attended by over 60 people. On both occasions, Comgás chief executive Luis Domenech presented the company's financial results, strategy and business focus.



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HUMAN CAPITAL

HUMAN
CAPITAL

Comgás is continually investing in tools designed to enhance human capital. In 2012, our key focal points included corporate education and competency development programs. At the end of 2012, our staff numbered 1,041 and there were 3,802 outsourcers, making for a total of 4,843 people.

The year was also marked by new activities starting, including a program known as “ComViver” (freely translated as “getting on”), which aims to build inclusion, respect and appreciation of differences. The initiative led to events such as workshops on “Effectiveness at Work” for non-management employees and “Managing Inclusion” for managerial staff. We also conducted a survey on Diversity and Inclusion that drew on responses from 717 employees.

In order to enhance human capital and recognize initiatives adding value to our company, some of our awards are highlighted below. During the year, 30 projects were submitted for the “Comgás Excellence” award honoring the best projects related to safety, environment, and integration with local communities. In 2012, 40 projects were entered for our “Innovation Award”, which judges innovative studies that also pursue continuous improvement and reinforce our values as a distribution utility. Another highlight was the “Worth Gold” safety award recognizing and rewarding employees and contractors working in the field for showing outstanding awareness of safety measures.

The year 2012 saw our 140th anniversary and employees were involved in celebrations through concerts with the “Os Cariocas” band held in São José dos Campos and São Paulo, “Mantiqueira” band and singer Seu Jorge, the Sesi-SP Bach Philharmonic, and there were adventure racing and soccer tournament events. Retirees attended a Health Conference.


140 anos
Construindo o futuro ao seu lado

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HEADCOUNT

	2010	2011	2012
Full time			
Indefinite or permanent	979	1,019	1,041
Interns			
	90	107	98
Outsourcers			
Indefinite or permanent	4,170	3,702	3,802
Short-term or temporary	38	8	4
Total	5,277	4,836	4,945

TURNOVER

	2010	2011	2012
Admissions	100	144	123
Terminations	69	104	101
Turnover	8,6%	12,2%	10,8%
By gender			
Men	5,3%	6,9%	6,7%
Women	3,3%	5,3%	4,1%
By age group			
Under 30	5,0%	5,8%	5,1%
30 - 50	3,3%	5,7%	5,0%
Over 50	0,3%	0,7%	0,7%
Turnover by region			
Southeast	8,6%	12,2%	10,8%
30 - 50	3,3%	5,7%	5,0%
Over 50	0,3%	0,7%	0,7%

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DIVIRSITY INDICATORS

Job category	**2010**	**2011**	**2012**
Executives	87	92	88
Coordinators	58	56	57
Professionals and engineers	318	349	359
Administrative	100	77	101
Operational	337	358	354
Sales	79	87	82
Gender			
Men	68.3%	67.9%	68.2%
Women	31.7%	32.1%	31.8%
Ethnicity/color			
Black	10%	10.7%	11%
White	89%	88%	87%
Asian	1%	1.3%	1.4%
Age group			
Under 30	30%	26.5%	25.7%
30 - 50	59%	62.3%	67.7%
Over 50	11%	11.2%	11.7%


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Training and development

During the year, 100,278 hours were allocated to training sessions, averaging 96.3 hours per employee, which was 82.1% more than the previous year's average. Of the total, 1,887 hours covered specific content for human rights addressed through corporate programs: E-learning Code of Conduct - Principles of Corporate Practices, Integrating new employees (presence and e-learning), E-Learning and Diversity Workshop. These training sessions reached 962 people, or 92% of our staff. Comgás underlines its commitment to training and developing employees and through various channels of communication we encourage participation and emphasize the importance of this topic across our different communication channels to strengthen our relationship with our internal clients.

One of the highlights was the second series of 15-hour training courses for site technicians with 64 attendees to build knowledge on new connections on retail premises and water heaters. Other new initiatives taken during the year:

Internship Program – This initiative enhances gas workers' skills and training based on values developed and practiced by Comgás.

Apprentice Conference – First event held to foster integration for newly admitted young people and add to their knowledge of the company, with 21 attendees.

In addition, we continued to work on performance levels through individual contracts and assessments of all employee competencies. They set specific targets that are achievable but challenging, and aligned with the objectives of the area concerned and the company's scorecard. Contracts are defined and consensually agreed by employees and their managers. Assessments of competence are based on values and expected behaviors, which are widely disseminated and readily observable in everyday routines. These tools ensure alignment around the challenges posed for the year and show how employees act to improve manager-staff feedback, along with periodic monitoring. In addition to performance management, our practice of mapping key people for the organization identifies strengths and opportunities for developing Comgás professionals - as well as challenges and opportunities in the company for the individuals mapped. Meetings held with all managers discuss professionals in each area, taking into account current performance and ability to take on new responsibilities or move to other areas or jobs within the company. We then use Nine Box as a tool to consolidate results and create a shared language.

Average Training Hours

	2011		2012	
Job Category	**Hours**	**Hours/Employee**	**Hours**	**Hours/Employee**
Technical level	14,041	72	24,862	193
Operational level	11,736	72	44,198	196
Management and supervision	14,280	102	3,657	27
Administrative	2,017	26	5,212	52
Professionals	11,422	26	22,221	63
Senior management	184	23	128	16
Total	53.680	321	100.278	547
Average	8946,7	53,5	16,7	91,2

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Other training and development initiatives:

• MBA in Project and Innovation Management led by Fundação Instituto de Administração (FIA), course taken by 35 professionals.

• Growth Academy: this project, now in its third year, involved the admission of 100 professionals for 24 months of classes on topics such as pipeline network operations and maintenance and customer relationships. Classes are taught by professionals from our staff who specialize in these subjects.

• Learning the English language: 86 professionals obtained assistance to pay for English courses. We started to use a distance-learning platform with online learning being extended for up to three years.

• Presentations and talks: focusing on personnel management in order to answer questions about careers, compensation and benefits, salary levels, and other topics related to this field.

• Training sessions and courses to reinforce commitment to safety across Comgás: Safety Day sessions involved 8,428 Comgás and outsourcer employee participations totaling 25,278 man-hours. These courses addressed issues relating to Personal and Property Safety and Compliance based on our motto of Zero Injuries and High Performance.

Compensation and benefits

Our compensation package is one of the best in the industry. In December 2012, the lowest salary paid was 1.2 times the national minimum wage reported for that month. In addition, all our employees have benefits for sickness, accidents, medical and dental care, children with special needs, day care, orthopedic materials, optician and pharmacy expenses, vacation loans, life insurance, and pension plans. Another benefit under collective bargaining agreement is a 50% grant toward tuition for secondary school, vocational and degree courses (subject to approval for compliance with certain rules). Sixteen professionals made use of this benefit in 2012.

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Comgás offers a retirement scheme based on the defined contribution plan, which covers 93.6% of the workforce. Employees may contribute up to 4% of their salaries to the plan and Comgás will match this amount for its contribution. On retiring, employees may choose to receive income or redeem the full amount. The plan posted an accrued balance of R$ 78 million as of December 31, 2012.

Ratio of basic salary of men to women by employee category

	2011		2012	
Base salary (R$)	**Men**	**Women**	**Men**	**Women**
Job category - Ratio of basic salary of men and women				
Executives	1.32	0,76	1.48	0.67
Coordinators	0.96	1.04	0.98	1.02
Technicians	1.01	0.99	0.81	1.24
Operational	1.16	0.86	1.12	0.89
Professionals/Engineers	1.09	0.92	1.10	0.91
Sales	1.12	0.89	1.16	0.86


COMGAS
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COMGAS

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Ratio of lowest salary to national minimum wage

	2010	2011	2012
São Paulo	2.32	1.88	1.61
Campinas	5.28	1.78	1.61
São Paulo Metropolitan Region	5.79	3.22	4.93
Vale do Paraíba	2.89	2.63	2.21
Baixada Santista region	3.94	2.63	2.21

Health and safety

In 2012, we underlined the importance of safety conscious behavior by launching our Safety Value Proposition (SVP) based on four pillars: Future Vision, Proximity, Recognition, and Looking after Life. The aim is to educate professionals on the importance of safety at work and elsewhere.

During the year, for a total of 12 million man/hours worked, the three incidents reported led to time off for 6 professionals. Our lost time injury frequency in 2012 was 0.48 per million man/hours worked, which was higher than the three previous years´ levels (around 0.1). These three incidents were analyzed in exercises and group dynamic sessions involving employees and contractors.

Other initiatives included the 100% introduction of a system for monitoring vehicle safety parameters such as speed and driver identification. Our Safety Day mobilized more than 4,000 professionals on two occasions.

An initiative that began in previous years with a highlight in 2012 was the Contractor Excellence program as Health and Safety requirements for these companies evolved and they were evaluated through technical audit programs.

We also raised contractor awareness of property or asset security and loss prevention. Specialists technicians visited 52 sites to advise on improving their procedures while preventing theft.

All our employees have representatives on Safety and Health committees

HUMAN
CAPITAL

across the different organizational levels, including those required by legislation (local acronym CIPAs) and those established by our own Health and Safety management system. In addition, all outsourcers are represented on committees.

Accidents at work

	2010	2011	2012
Total accidents			
Employees	0	0	3
Outsourcers	1	1	5
Accidents with lost time			
Employees	0	0	2
Outsourcers	0	1	4
Accidents without lost time			
Employees	0	0	1
Outsourcers	1	0	1
Accident Frequency			
Employees	0	0	1.17
Outsourcers	0.11	0.12	0.50
Overall	0.09	0.09	0.64

Note: The report derives from our corporate health and safety management system, which is based on Brazilian legislation. The criterion for counting days lost starts on the day after an accident. Frequency is counted per 1 million man/hours worked.

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Quality of life

To ensure that our employees enjoy good health and well-being, we invest in various projects referred to collectively as the "More Living" program, which may cater for employees, contractors, their family members, or a local community, depending on the specific program.

• **More Living – Maturity:** employees aged over 50 years can obtain advice from consultants on topics related to their lifestyle and finances, their physical, mental, and emotional health, and social and family life. The aim is to help with planning so that professionals can retire in good health and enjoy quality of life. In 2012, 19 professionals participated. |GRI LA11| During our 140th anniversary-year events, we had a Health Day for retired employees. In addition to providing guidance on specific health issues and quality of life, this event featured an enjoyable and happy reunion for former employees.

• **More Living – Expecting Mothers:** this program includes meetings with female employees expecting babies and with wives of male employees too. They discuss issues related to pregnancy, childbirth and caring for newborns, as well as consultations with our company doctor. In 2012, 18 pregnant employees participated in the program.

• **More Living – Tobacco Free:** cigarettes do not go together with good health. To highlight these issues, smokers wishing to quit the habit are provided with medical care and a specialist psychologist, taking part in group therapy sessions and get 90% of their medications paid by the company. In 2012, approximately 85% of participants became abstinent.

• **More Living – Balanced Weight:** overweight employees wishing to lose weight may access nutritional and psychological counseling and attend physical education sessions. In all, 149 employees have benefited from the program. Another aspect of this program was an offering of 19 "healthy appetizers" with advice on topics related to eating habits in particular, which involved 1,040 attendees.

HUMAN
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• **More Living – Move yourself:** our Metropolitan Region operational hub has a fitness facility subsidized by the company. In addition, there are runners and walkers groups. In 2012, we launched our Godfathers and Godmothers project, in which employees already practicing physical activities regularly give encouragement to those who wish to drop their sedentary lifestyle. The project aims to foster integration between employees of all ages coming from different areas and positions.

• **More Living – Friend:** specialized professionals are available to advise employees and their families using the telephone to talk about issues such as substance addiction or depression. There is also access to consultations with specialists. In 2012, 132 people, including employees and dependents, made use of this benefit.

• **More Living – Relax:** the ability to live at peace with ourselves and the world around us is the cornerstone for mental health. More than 1,000 employees participated in a survey of mental health. Another initiative in this program drew 220 employees to enjoy quick massages.

We also ran vaccination and blood donor campaigns, with advice on restaurants around our operational hub and daycare centers chosen by the company, in addition to outreach and encouraging participation in races and numerous murals on health-related themes. Our short, medium, and long-term aim is to run health and guidance campaigns for employees, contractors and their family members, while adding new programs for well-being and health particularly targeting employees and internal outsourcers.

Employee Relations

The year was also marked by the continuity of events and initiatives from previous years, including those that aim to build closer relations between senior management and employees to ensure open and ongoing dialogue. To strengthen these relations, there is updated news posted on murals at the units, and our Telegás newsletter is e-mailed to all employees and posted on the intranet. There are also events named


COMGAS
Natural

Exchanging Ideas and Dialo-gas.

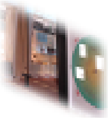
• **Exchanging Ideas** – we arrange breakfast meetings with the president or chief superintendent and management staff to discuss issues such as aligning objectives, integration, experiences and issues or questions. In 2012, we held nine of these events with the participation of 87 professionals in four cities (São Paulo, Campinas, Santos and São José).

• **Dialo-gas** – refers to two distinct types of meeting:

- Conversation with Management: a chat over breakfast with the aim of managers and employees coming together to spread information and make room for dialogue. During the year, we had 10 meetings attended by 1,936 employees.

- Breakfast with Management – Growth Academy: a meeting to exchange information, ideas, and experiences between management board and Growth Academy participants.

In 2012, collective bargaining covered 100% of our workforce. All safety issues stipulated in the agreements are covered by our Health and Safety policy as part of the Comgás management system.



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SOCIAL
CAPITAL

SOCIAL
CAPITAL

SUPPLIERS

An ongoing challenge for Comgás is training and developing outsourcers. Our Contractor Excellence program is based on Comgás senior managers and superintendents assessing contractor performance on six strategic criteria: Operations, Health, Safety, Environment and Quality (HSEQ), Asset Integrity, Technical Audit & Qualification, Administrative, and Financial Base.

In 2012, we had 28 audits carried out and they pointed to significant improvement on these indicators. In 2011, for example, we audited 28 companies that showed 76% compliance. In 2012, this rose to 79% in 25 companies. There was also the second Comgás Partner Awards, which recognizes the companies that perform best.

Winners of the second Comgás Partner Awards

Category
Initiative for People
Initiatives for SSM & Asset Integrityo
Improved Working Processes and Practices

Company
Sial Drill Engenharia e Construções Ltda.
Uniforte Americana Engenharia e Construtora Ltda
Unigás Sistemas de Aquecimento
Concremat

One of the highlights this year was the rollout of Safety Value Proposition (SVP) with its pillars - Future Vision, Proximity, Recognition and Zest for Life - applied to all materials and messages and used for exercises and dynamics sessions held with professionals from contractors. Safety Day for our outsourcer professionals in 2012 also involved our own employees as a means of unifying and enhancing our safety campaigns by applying these concepts.

SOCIAL CAPITAL

In the second quarter of 2012, the Worth Gold Safety Award was introduced for professionals working directly on operational activities including construction and new customer connections. For this award, the workers in the field recognize their colleagues or superiors for their health and safety related initiatives. Recognition is immediate and any incidents are recorded and sent to our Safety to be assessed by an internal committee consisting of representatives from Internal Communication, Safety, and Human Resources. Meetings and recognitions are organized on a monthly basis. A total of 34 outstanding actions or initiatives were posted.

There is also a structure for actively prospecting new suppliers. Would-be suppliers are assessed for requirements such as health, safety, environment, quality, and social responsibility. These evaluations involve audits in their administrative environments, manufacturing and/or works in progress. If adaptations are required, we offer whatever tools and guidance may be needed. Once signed up to a contract, these companies have access to sites such as Comgás Management System Analysis, Document Management (Gedweb) and the Comgás Employee Portal.

To ensure high quality for the services we provide, and ethical procedures in particular with combat against fraud and corruption, our contracts include sections related to these matters and in particular to our Declaration of Principles and Code of Conduct, which among other points, states that we will not tolerate the use of forced labor or child labor, and we require our business partners to respect agreements and recommendations under Brazilian and international conventions that condemn both of them.

Comgás also takes part in a certification program for installers (Qualinstal), whose aim is to ensure gas installation services are executed safely with high levels of quality. Contractors are audited and if approved given an Installation Conformity seal, which ensures that products delivered to consumers meet Brazilian standards for installation and are in perfect condition.

COSTUMERS

In our 140th anniversary year, we are posting very significant numbers in relation to our customer base, which has now reached a record 1.2 million consumers in the segments we supply. A highlight for the year was our 93% customer satisfaction level - among the highest of recent years - which means Comgás is one of the best service providers and utility concession companies.

These results confirm investment decisions taken over the last few years, especially the progress made by using tools such as Customer Relationship Management (CRM). During the year, we remodeled 33 service procedures to make them more agile, with all case histories stored in a system that may be easily accessed if a call is transferred to another attendant.

Our main customer service channel, the Contact Center, was improved during the year. It now has a monitoring system for critical cases that detects the number of times a customer has called the company - after three calls, our team contacts them to solve the problem. Our customer service operates 24 hours a day, 365 days a year and there is a constant effort to provide training and build capacity. In 2012, we provided 12,178 hours of training sessions, thus averaging 38 hours per attendant/month.

On another line, 0800 0161667, consumers may talk to our ombudsman service, which steps in if a case is not solved by the Contact Center or in situations in which the customers rejects a solution we have posed. This channel also takes suggestions in relation to Comgás services, attendance, performance, and activities. There is also our e-mail address: ouvidoria@comgas.com.br.

Our website (www.comgas.com.br) is another channel of communication for customers requesting duplicate invoices or scheduling gas installation work. There are also specific areas for investor relations and suppliers.

Another function of the channel is to broadcast news about the gas industry or natural gas and its uses

COSTUMERS

in different segments, tips on savings, with safety advice for repair or construction work. Customers can also find a list of registered companies for their installation jobs or for repairs of internal gas pipes, as well as CNG kits for vehicles, along with the coordinates for all our customer contact channels including our "open channel" (e-mail: canalaberto@comgas.com.br or our 0800 7024080 hotline), for any complaints about fraud, misconduct or anything contrary to company values, with guaranteed anonymity for those mailing or calling to report something or make a complaint.

We also have offices providing personal attention at our operational center in the Brás neighborhood of the São Paulo Metropolitan Region, and on Avenida Paulista. Outside the state capital, there are offices in Santo André, Campinas (where we have another operational center), São José dos Campos, and Santos.

Another aspect of customer service is our program named "Connected to the Customer" through which our staff can access phone lines in real time to monitor consumer contacting us. The idea is to encourage employees to listen to customers and detect opportunities to improve processes that may directly or indirectly affect consumer satisfaction.

In 2012, we started an innovative initiative for employees to temporarily get away from their department to spend time alongside a meter reader on the streets. This measure aims to boost productivity and quality of services.

Social responsibility is one of the values Comgás advocates. The goal is integration with our local communities through economic development, social, and cultural projects.

A New Park – In 2012, Comgás started contacts and negotiations with the state of São Paulo's Environment department and agreed to be one of the companies supporting a new urban park planned for a site adjoining an existing park named for Villa Lobos, in the western part of the city of São Paulo. The entire project will cost an

COMMUNITY *RELATIONS*

estimated R$ 32 million and Comgás will be contributing approximately R$ 6 million for infrastructure projects such as bike paths, locker rooms, and other items. The park should be ready by the end of 2013. Back in 2004 and 2006, Comgás contributed to the Villa Lobos park to fund more than 120,000 m2 of new areas and accessibility structures, and planted 5,000 saplings on 50,000 m2 of woodland, 60,000 m2 of lawn or grass area, bike paths and the entire signage project.

Comgás Sociocultural Sponsorship Fund - founded in 2008, has supported 44 projects in 30 cities with investments totaling R$ 7.5 million funded by a government tax incentive scheme (the Rouanet Law). In 2012, we selected 11 projects - activities included theater, film, literature, music and dance - to be given assistance totaling R$ 2.0 million. The following projects were selected (translating freely from their Portuguese titles): Education through Music; Music and Citizenship - Allegro; Cultural Wellspring; Dance Happening; Paraisópolis Philharmonic Orchestra; Sociocultural Inclusion Program; Rites of Rivers and Streets; 5th Youth Theatre Community Conference; Cine Screen Brazil; Child Citizen; and Dialogue with Theatre.

Another Comgás initiative was the signing of a technical cooperation agreement with the Ministry of Culture, through its Cultural Development and Incentive section (local acronym Sefic). The initiative's aims are to optimize activities, routines, and flows related to selected cultural projects to be sponsored by the company, and to align public procedures and guidelines in relation to the Support for Culture Program (Pronac). By doing so, we hope to optimizes procedures and lower public spending on unnecessary verification. The fields covered are the arts, audiovisuals, music, visual arts, heritage, and the humanities.

Memories of Gas - Our permanent exhibition, under the management of Fundação Energia e Saneamento, shows how the use of gas has evolved over time, hence the title "Memories of Gas: the Ever-Present Future". In 2012, the exhibition at our operational center for the São Paulo Metropolitan Region (CORMSP), in the city's Bras neighborhood, welcomed 4,500

COMMUNITY
RELATIONS

visitors, mainly pupils from municipal schools. The number of visits fell from the previous year's 6,600 because the area was closed for maintenance for three months (from July to November).

Comgás Learner Program (PAC) - an initiative started in 2000 partnering an NGO named Cidade Escola Aprendiz [meaning "city school learner", or apprentice] to provide training for young people aged 14-17, public and private secondary and technical school pupils in the city of São Paulo aiming to develop social projects in their communities. The program consists of two initiatives: one named "Laboratory", the other "Dissemin-Action".

The latter refers to occupational training around the program's Knowledge Network methodology, with videoconferences and virtual learning environments in addition to classroom activities. This year's Dissemin-Action was marked by the resumption of its partnership with the Paulo Renato Costa EFAP (teachers college) to consolidate the program's new distance learning work and reached a total of 73 teachers and educators in the cities of Campinas, São José dos Campos, São Paulo and Piracicaba, as well as 74 NGOs and 76 young people developing 13 projects.

The Laboratory part of the project offers assistance directly to young people wishing to develop projects in their community. This year, we selected 62 participants who worked on nine projects. Since 2000, there have been 910 projects assisting 4,092 organizations (of which 290 were NGOs) and 817 teachers and educators.

Another Comgás Learners Project initiative is an award for young learners or apprentices [Prêmio Aprendiz Comgás], made for the sixth time in 2012 in partnership with the City School Learner NGO, which aided six projects in the city of São Paulo with a total of R$ 15,000. Each project was granted R$ 2,500 to implement or continue to run social projects in their localities or regions. The following were the 2012 award winners with their areas shown in parentheses: Cine na Vila and Vozes da Vila (Vila Albertina, Zona Norte); Coleção Literária Besouro (Vila Brasilândia, Zona Norte); Porta Aberta

(Capão Redondo, Zona Sul); Nas ruas, um Orfeu de Mochila (Jaguaré, Zona Oeste); and Se Essa Escola Fosse Minha (Penha, Zona Leste). The five previous awards initiatives had benefited 26 projects in different cities in the Comgás concession area.

RELATIONS
INSTITUCIONAL

The State of São Paulo Sanitation and Energy Regulatory Agency (local acronym ARSESP) is one of the key agencies with whom we have ongoing dialogue with the aim of fostering sustainable development for natural gas and enhancing market regulation.

The highlight of the year was the approval by this agency and by Brazil's defense of competition body, the Administrative Council for Economic Defense (local acronym CADE) of BG Group's being replaced as controlling shareholder by Cosan, which was one of the top ten deals of the year in Brazil.

In February, the regulatory agency (ARSESP) issued its Ruling 308 concerning a mechanism for balancing the adjustment account that varies with gas and transportation prices by triggering decreased or increases in tariff rates when costs of natural gas or transport vary by more than 3.5% of net sales in the prior year, with a minimum interval of three months between adjustments. By this means, the concession agreement may enable the economic-financial balance of the business to be enhanced.

In 2013, Comgás president Luis Domenech continued his mandate as chair of the Brazilian Association of Gas Distributors (Abegás), which is a member of the executive committee of the International Gas Union (IGU). During the annual meeting of the latter, Abegás was involved in selecting Washington as host city for its world congress in 2018.

In order to attract new investment to its concession area covering over 100 municipalities, Comgás works closely with the government of the state of São Paulo through the state's agency for investment competitiveness (Investe São Paulo). We also engage with initiatives for the community and one of the highlights of the year was the approval of a plan to refurbish the city of São Paulo's Villa Lobos park. For more details see page 85 - Social Capital.

10

NATURAL CAPITAL

NATURAL *CAPITAL*

Respect for the environment has always been a key value for Comgás. In 2012, this commitment was once again confirmed with recertification of our environmental management system for ISO 14001, thus ensuring quality by controlling environmental impacts of activities, rational use of natural resources and proper waste disposal. We invested R$ 2.5 million in environment-related activities in 2012.

Environmental investments – R$

	2011	2012
Waste treatment and disposal	557,073	706,965
Cleanup costs, including spill remediation	1,973,177	1,757,828
Extra spending to install cleaner technologies	80,000	-
Other environmental management costs	21,720	25,000
Personnel involved in education and training	5,000	-
External certification of management systems	50,000	-
Donation of seedlings and native species to parks and municipalities		11,145
Total	2,686,961	2,500,938

Biodiversity

New natural gas pipelines for our distribution network have indirect and insignificant impacts on the environment. We prioritize directional drilling (a nondestructive method) to avoid or minimize interventions in designated preservation areas (APP) and removal of vegetation in other regions. Any interventions in protected areas occur are on anthropogenic sites - mostly on paved roads - and all are duly authorized by environmental agencies such as Cetesb and DAEE. No tree species were eliminated due to pipeline work in 2012.

Since 2005, we have been active in partnerships with environmental agencies to restore containing remnants of native forest or a forested corridor

that needs to be restored with native species, thus helping to conserve wellsprings, reservoirs, and rivers. To mitigate interventions made in 2012 we donated 450 native species seedlings to municipal nurseries and to the Serra do Mar state park.

We have altered pipeline routes precisely to avoid or minimize their impact, such as our project to reinforce the high-pressure network (Retap) with 25 km of submerged pipeline on the bed of the Billings reservoir in São Bernardo do Campo, a small part of which is in the Serra do Mar state park. To avoid eliminating approximately 20 hectares of native forest vegetation, we used an alternative scheme route and minimized the area of vegetation affected.

For 2013, we are planning a new partnership with the ecology NGO SOS Mata Atlântica to plant 15,000 native species of Atlantic Forest in the municipality of Indaiatuba, in order to recover another sensitive area in our operating region. In the past, we have recovered areas in the cities of Jundiaí, Campinas, Atibaia, and Cachoeira Paulista.

Pipeline network in conservation areas – 2012

	Área (km2)	**Attribute (biodiversity value**	**Location (municipality/state)**
Our leased or managed areas within protected and/or high-level biodiversity areas	0,0003748	Permanent Preservation Area (APP) - anthropized area	Public thoroughfares - municipalities in the State of São Paulo concession area

NATURAL CAPITAL

Energy

Our 2012 energy consumption totaled 1,572,981 kW/h, or 5,700 GJ. Most energy used by Comgás was provided by concession operators using renewable sources. This information is available in the Brazilian Energy Balance (BEN) which shows the matrix using 88.2% renewable energy for base year 2011.

In addition to renewable energy, natural gas is also used for refrigeration and cogeneration, especially at our operational centers in the São Paulo metropolitan region (CORMSP) and Campinas (COI). It is also used for the same purpose at all our new buildings and offices, when feasible, even if it costs more than conventional equipment. During the year 2012, total energy from this source was 4,683,597 kW/h, or approximately 1,700 GJ. This measure led to a 2.7% reduction in consumption.

Another measure taken to save energy is the use of energy-saving light bulbs, along with ongoing campaigns for conscientious use of electricity.

Water

Taking the total for all Comgás units, drinking water consumption was 16,800 cubic meters in 2012 and 1% less than 2011's total of 17,000 cubic meters. We stored 3,200 cubic meters of rainwater for use in toilets, which was 18% more than the previous year's 2,700 cubic meters.

Water used (m^3)

Source	2010	2011	2012
Municipal concession operator	17,915	17,000	16,827
Rainwater	1,752	2,710	3,215
Total	21,677	21,721	22,054

NATURAL
CAPITAL

Emissions

In 2012, we replaced 80 km of cast iron pipeline for our regulatory target, thus also reducing greenhouse gas emissions by reducing the number of leakages of methane (CH_4), the main component of natural gas, which has 21 times more greenhouse gas effect than CO_2. In terms of atmospheric emissions, this avoids 1,121.5 tons of carbon dioxide equivalent (CO_2eq). Work done to replace cast iron pipes required an investment of R$ 56 million. Our target is to replace all cast iron pipes within five years.

Emissions

	2010	2011	2012
Greenhouse Gases (tCO_2 equivalent)	113,203.575	104,977.970	127,712.965
Direct greenhouse gas emissions (t) (tCO_2 equivalent)	4,756	4,997	7,723
Methane (CH_4) (t)	5,272	4,700	5,461

Also for the purpose of reducing emissions, we run regular checks on vehicles exhaust fumes and we have a program for periodically renewing the fleet. In 2012, fuel consumption rose 7.3% although km travelled was down 3.0% (from 6,788,687 km in 2011 to 6,583,673 in 2012). The difference basically reflected two issues: heavier traffic in the major cities and more use of ethanol as fuel (up 20%), which leads to larger volumes used. Our decision to use more of this sugarcane-derived fuel was due to its advantage of being renewable and having a lower level of greenhouse gas emissions.

NATURAL
CAPITAL

Fuel consumption

Fuel	2010	2011	2012	Variation
Gasoline (l)	99,558	137,741	134,512	- 2.3%
Ethanol (l)	317,880	344,693	415,071	+ 20%
Diesel (l)	95,060	103,744	107,267	+3.4%
CNG (m^3)	230,784	246,758	236,777	- 4.0%
Km traveled	6,232,141	6,788,687	6,583,673	- 3.0%

Effluent and waste

Comgás has a selective collection procedure for solid waste from both offices and pipeline-laying or construction sites and we have group of employees responsible for sorting these materials. Disposal takes place in an environmentally responsible manner. Depending on the type of waste involved, we call in companies specializing in this field of work.

Waste classified as hazardous is incinerated at cement-plant furnaces for coprocessing. This category of waste includes dust from filter scrubbing, waste mercaptan, batteries, materials contaminated with oil, grease, paint and solvents, lamps, laboratory reagents, anaerobic resin and filter-scrubbing effluent. In the course of the year, we collected 4,804 batteries and 11,445 bulbs to be disposed of in accordance with environmental legislation and regulatory standards.

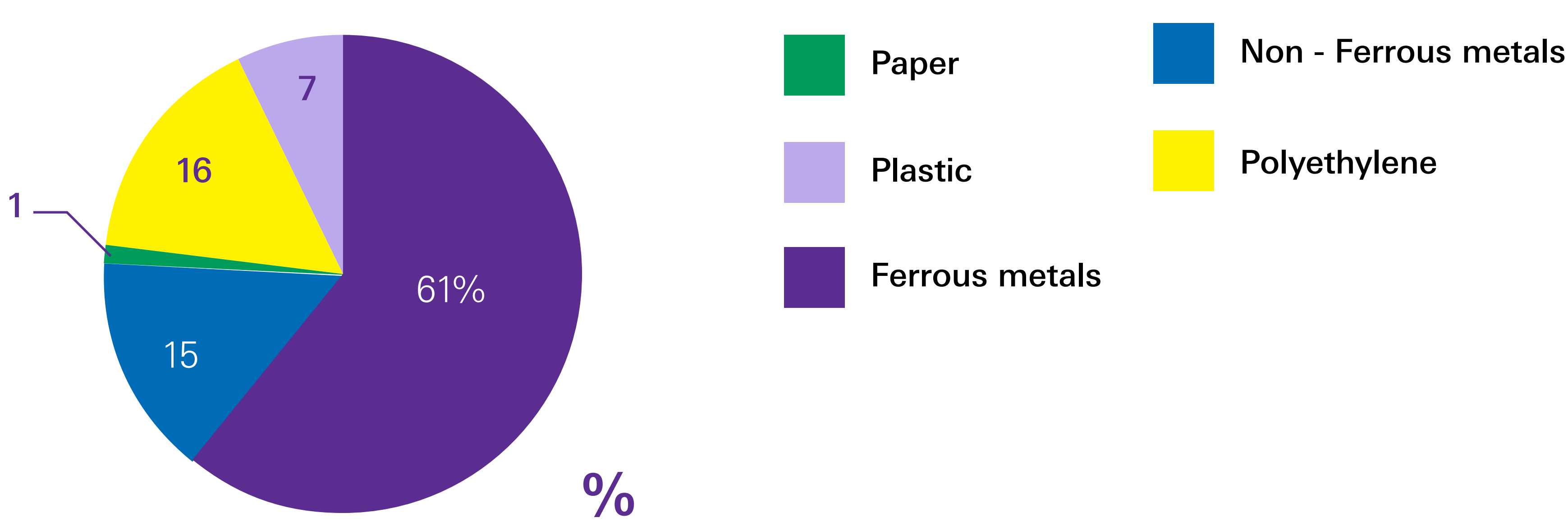
Our ecological sewage treatment station (ETE) disposed of 350m^3 of treated sewage in 2012. There is no separate metering of reused water from our treatment station being added to rainwater (reuse).

NATURAL
CAPITAL

Waste management

	2011	2012	Disposal
Hazardous waste	1.07	3.18 tons	Coprocessing
Hazardous waste	0	0	Class I Industrial Landfill
Hazardous waste	0.048	0	Incinerated
Hazardous waste	3.795	5,949 units	Reprocessing
Hazardous waste	60	350 m³	Effluent treatment
Non-hazardous waste	415.83	20,216.40 m³	Class II Industrial Landfill
Construction waste/ rubble	126.65	293.7 tons	Class II Industrial Landfill
Recyclable	88.25	96.4 tons	Recycling

Recycled Materials



NATURAL
CAPITAL

Internal campaigns

We keep full records of operational and environmental risks (RROA) for documentation to help assess impacts from all activities and take measures to reduce or eliminate environmental and occupational hazards. As part of our Environmental Awareness Program in 2012, we ran internal campaigns to engage all employees with issues such as disposable plastic cups. Our Ambassador for the Environment contest gave out prizes for the top five slogans used to persuade people of the importance of proper disposal of this material.

House Cleaning Day was held during Environment Week. All employees were given a kit with colored plastic bags to use when cleaning up, and cardboard boxes for waste disposal. Through this campaign alone, across all our units, we collected over 276 kg of paper; 16.75 kg of plastic and almost 1 kg of metal for recycling. We also have an ongoing campaign for conscientious use of electricity.

IBASE SOCIAL BALANCE

1. Calculation base	2012 Value (thousands of Brazilian reais)	2011 Value (thousands of Brazilian reais)
Net revenues	5,279,523,00	4,102,660,00
Operating income	508,102,00	315,729,00
Gross payroll	210,366,83	133,189,00

2. Indicadores sociais internos	Value (In thousands R$)	% on gross payroll	%on net revenue	Value (in thousands R$)	%on gross payroll	%on net revenues
Meals / food	10,287,99	4.9	0.2	9,430,80	7.1	0.2
Compulsory payroll charges	37,025,29	17.6	0.7	33,795,60	25.4	0.8
Private pensions	672,93	0.3	0.01	4,134,70	3.1	0.1
Health	14,876,11	7.1	0.3	16,980,10	12.7	0.4
Workplace health and safety	-	-	-	-	-	-
Education	-	-	-	-	-	-
Culture	-	-	-	-	-	-
Training and occupational development	2,607,00	1.2	0.0	2,025,00	1.5	0.0
Daycare or daycare assistance	294,37	1.1	0.0	206,80,00	0.2	0.0
Profit sharing	23,743,56	11.3	0.5	22,132,00	16.6	0.5
Other	-	-	-	-		
Total - Internal social indicators	**89,507,25**	**42.6**	**1.7**	**88,705,00**	**66.6**	**2.2**

3. External social indicators	Value (In thousands R$)	% of operating income	%on net revenue	Value (in thousands R$)	%of operating income	%on net revenues
Education	750,00	0.1		794,80	0.2	0.02
Culture	-	-	-	-	-	-
Health and sanitation	-	-	-	-	-	-
Sport	-	-	-	-	-	-
Combating hunger and food security	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total contributions to society	750,00	0.1	0.01	794,80	0.2	0.02
Taxes (excluding social security contributions)						
Total - External social indicators	**750,00**	**0.1**	**0.1**	**794,80**	**0.2**	**0.02**

4. Environmental Indicators	Value (In thousands R$)	%on operating income	net revenue	%of Value (in thousands R$)	%on operating income	net revenues
Investments related to production/operation	45,0	0.01	0.001	55,0	0.02	0.001
Investments in programs and/or projects	-	-	-	-	-	-
Total investments in the environment	45,0	0.01	0.001	55,0	0.02	0.001
In relation to setting "annual targets" to minimize waste, consumption in general during production / operation, and more efficient use of natural resources, the company	do not have targets [x] accomplishes 0 to 50% [ ] accomplishes 51 to 75% [ ] accomplishes 76 to 100% [ ]			do not have targets [x] accomplishes 0 to 50% [ ] accomplishes 51 to 75% [ ] accomplishes 76 to 100% [ ]		

IBASE SOCIAL BALANCE

5 - Workforce indicators	2012	2011
Headcount at end of period	1,041	1,019
Admissions during period	112	144
Number of partner employees	3,802	3,702
Number of trainees	98	107
Number of employees aged over 45	243	237
Number of women working for the company	331	327
% of management positions held by women	19	13
Number of black people working for the company	29	27
% of management positions held by black people	-	-
Number of people with disabilities or special needs	55	49

6 - Relevant information on exercising corporate citizenship	2012	Target 2013
Ratio between highest and lowest salary paid	68	-
Total number of work-related accidents	6	1
Social and environmental projects developed by the company were defined by:	senior management [ ] senior and middle management [x] all employees [ ]	senior management [ ] senior and middle management [x] all employees [ ]
Standards for safety and cleanliness in the workplace were set by:	senior management [x] all employees [ ] all + health and safety commission (local acronym CIPA) [ ]	senior management [x] all employees [ ] all + health and safety commission (local acronym CIPA) [ ]
In relation to freedom of association, collective bargaining and internal representation of employees, the company:	does not get involved [ ] follows ILO rules [ ] encourages them and follows ILO rules [x]	does not get involved [ ] follows ILO rules [ ] encourages them and follows ILO rules [x]
The pension plan covers:	does not get involved [ ] follows ILO rules [ ] all employees [x]	does not get involved [ ] follows ILO rules [ ] all employees [x]
The profit-sharing program covers:	does not get involved [ ] follows ILO rules [ ] all employees [x]	does not get involved [ ] follows ILO rules [ ] all employees [x]
When selecting suppliers, the same ethical and social responsibility standards adopted by the company:	are not considered [ ] are suggested [ ] are required [x]	will not be considered [ ] will be suggested [ ] will be required [x]
In relation to employees participation in voluntary work programs, the company:	does not get involved [ ] supports [ ] organizes and encourages [x]	will not get involved [ ] will support [ ] will organize and encourage [x]
Total number of complaints and criticism from consumers:	made to the company: 53,795 to consumer protection agency (Procon): 727 to the courts: 164	made to the company: 110,586 to consumer protection agency (Procon): 1,204 to the courts: 206
% of complaints and criticisms answered or settled:	made to the company: 94.5 to consumer protection agency (Procon): 94 to the courts: 68.5	made to the company: 110,586 to consumer protection agency (Procon): 1,204 to the courts: 206
Total added value to distribute (in thousands of R$):	**In 2012: 1,369,067**	**In 2011: 1,071,671**
Value Added Distribution:	government 45% employees 10,6% third parties 17,6% shareholders 5,2% retained 21,6%	government 45% employees 10,6% third parties 17,6% shareholders 5,2% retained 21,6%

GRI
SUMMARY

GRI SUMMARY

Indicator	Comment	Page
1.1 Declaration on relevance of sustainability	Message from the president	22
1.2 Description of chief impacts, risks and opportunities	Risk management	40
2.1 Name of organization	Profile	10 and 35
2.2 Chief brands, products and/or services	Profile	10
2.3 Operational structure	Profile	10
2.4 Location of headquarters	Profile	10
2.5 Number of countries in which organization operates	Profile	10
2.6 Type and legal nature of ownership	Profile	10
2.7 Markets served (regions, sectors and types of customers / beneficiaries)	Profile	10
2.8 Scale of organization	Profile	10
2.9 Significant changes during reporting period in relation to size, structure or share ownership	Profile and Institutional Relations	10 and 89
2.10 Awards received in the reporting period	Intangible assets	37 and 38
3.1 Reporting period for information provided	About this Report	4
3.2 Date of most recent previous report	About this Report	4
3.3 Report issuing cycle	About this Report	4
3.4 Contact details	About this Report	4
3.5 Process for defining content	About this Report	4
3.6 Boundary of the report (countries, divisions, subsidiaries and suppliers)	About this Report	4
3.7 State any specific limitations on the scope or boundary of report	There are no limitations	5
3.8 Basis for preparing the report in terms of joint ventures, subsidiaries, etc.	About this Report	4
3.9 Measurement techniques and calculation bases	About this Report	5
3.10 Consequences of any reformulation of previous information	About this Report	4
3.11 Significant changes compared with previous years	About this Report and Profile	4 and 10
3.12 Table identifying the location of information in the report	GRI Summary	5
3.13 Policy and current practice for seeking external verification for the report	About this Report	4
4.1 Governance structure	Corporate governance	29 and 33

GRI SUMMARY

Indicator	Comment	Page
4.2 State whether the president of the highest governance body is also a director	Corporate governance	30 and 31
4.3 Independent or non-executive members of the highest governance body	Corporate governance	32
4.4 Mechanisms for shareholders and employees to make recommendations	Corporate governance	29
4.5 Relationship between pay and performance	Corporate governance	33
4.6 Processes in place to ensure conflicts of interest are avoided	Corporate governance	29
4.8 Statements of mission or values, codes of conduct and principles relevant for economic, environmental performance and status of their implementation	Mission, Vision and Values	11
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	33
4.10 Processes for evaluating the highest governance body, particularly in relation to economic, environmental and social performance	Corporate governance	33
4.11 Precautionary principle	Risk management	42
4.12 Letters, principles or other initiatives	Comgás not officially sign or endorse any such document.	
4.13 Participation in associations and/or national / international bodies	Institutional Relations	89
4.14 List of groups of stakeholders engaged by the organization	About this Report	4
4.15 Base for the identification and selection of stakeholders with which to engage	About this Report	4
Economic Performance		
EC1 Direct economic value generated and distributed (DVA)	Economic-financial performance	55 and 56
EC2 Financial implications, risks	Demand for gas and operational performance	54 and 55
EC3 Coverage of defined-benefit pension plan obligations	Human capital	72 and 73
EC4 Significant financial assistance received from government	No significant financial assistance was received from government.	
EC5 Lowest wage compared to local minimum wage	Human capital	73 and 75
EC6 Policies, practices and proportion of expenditure with local suppliers in important operational units	100% of the expenditure of the important operating units are made with local suppliers.	
EC7 Procedures for local hiring	Comgás hiring depends on employees' skills and training. The Company does not have local hiring procedures.	

GRI SUMMARY

Indicator	Comment	Page
EC8 Investments in infrastructure and community services	Operational performance and Capital stock	85 to 88
Environmental Performance		
EN3 Direct energy consumption broken down by primary energy source	Natural capital	94
EN2 Percentage of the materials originating from	Not applicable	
EN4 Indirect energy consumption by primary source	Natural capital	**94**
EN5 Energy saved due to conservation and efficiency gains	Natural capital	94
EN6 Initiatives to provide low-energy-consumption products and services	Operational performance	47 and 49 51 and 52
EN7 Initiatives to reduce indirect energy consumption and reductions obtained	Natural capital	94 and 95
EN8 Total of water withdrawal per source	Natural capital	94
EN10 Percentage and total volume of water recycled and reused	Natural capital	93
EN11 Location and size of Company units in protected areas or high biodiversity areas	Natural capital	93
EN12 Description of significant impacts on biodiversity	Natural capital	96
EN13 Protected or restored habitats	Natural capital	93
EN14 Management of impacts on biodiversity	Natural capital	94
EN15 Number of species on the Red List of the IUCN	Not applicable	
EN16 Total direct and indirect emissions of greenhouse gases, by weight	Not applicable	95
EN17 Other relevant indirect emissions of greenhouse gases, by weight	Natural capital	96
EN18 Initiatives to reduce emissions of greenhouse gases and reductions achieved	Natural capital	95
EN19 Emissions of substances that destroy the ozone layer, by weight	Natural capital	95
EN20 NOx, SOx and other significant air emissions by type and weight		20
EN21 Total water discharge by quality and destination	Natural capital	94
EN22 Total weight of waste by type and disposal method	Natural capital	96
EN23 Total number and volume of significant spills	Comgás not have any data on these factors.	
EN26 Initiatives to mitigate environmental impacts of products and services	Natural capital	98

GRI SUMMARY

Indicator	Comment	Page
EN27 Percentage recovered of products and their packaging materials	Not applicable to Comgás	
EN28 Multas e sanções por não conformidade	During the year, the Company did not receive any significant fines	
EN29 Environmental impacts of transporting products, goods and materials and workers	Natural capital	91
EN30 Total investments and environmental protection expenses by type	Natural capital	92
Labor Practices and Decent Work		
LA1 Workers by type of employment contract and region	Human Capital Comgás is only active in the State of São Paulo	68
LA2 Total number and rate of employee turnover by age, gender and region.	Human capital	67
LA3 Benefits are not provided for temporary or part-time employees	Human capital	69
	67	80
LA5 Minimum term for prior notification related to operational changes	Important operational changes are informed through the formal communication media and the terms vary according to the process expected	
LA6 Percentage of employees represented on formal health and safety committees	Human capital	75 and 76
LA7 Injuries, occupational diseases, days lost, absenteeism and deaths	Human capital	76
LA8 Education, training, counseling, prevention and risk control programs	Human capital	77 and 78; 71 and 78
LA9 Themes related to health and safety covered. The collective agreements made include formal agreements with trade unions	Human capital	80
LA10 Average hours training per year per employee by type of employee	Human capital	71
LA11 Skills management lifelong learning and career ending programs	Human capital	70 and 77
LA12 Percentage of employees receiving regular performance assessments	Human capital	70 and 71
LA13 Composition of the groups responsible for corporate governance and discrimination of employees per category, according to gender, age group, minorities and other indicators of diversity	Human capital	68
LA14 Basic salary of men and women by employee category	Human capital	73
Human Rights		

GRI SUMMARY

Indicator	Comment	Page
HR1 Investment agreements that include human rights clauses	Suppliers	82 and 83
HR2 Suppliers submitted to human rights assessments	Investor Relations	64
HE3 Employees training on human rights	Human capital	70
HR4 Total number of incidents of discrimination and measures taken	There were no cases of discrimination in the Company in 2012.	
	This situation is not occurring with the suppliers of the Company.	
HR6 Operations with significant risk of child labour	Suppliers and Ethical behaviour	83
HR7 Operations identified for risk of forced or compulsory labor	Share capital	83
HR8 Security personnel trained in human rights	Human capital	70
HR9 Total number of violations of rights of indigenous peoples and measures taken	Not applicable	
Society		
SO1 Programs and practices that assess and manage the impacts of operations on communities	Management	40 to 44
SO2 Business units submitted to assessment	Governance	29 to 34
	During the year, no specific training was given.	
SO4 Measures taken in response to cases of corruption	Risk control, fraud and reputation	43
SO5 Positions and participation in making public policy and lobbies	Cogeneration	51
SO6 Contributions to political parties, politicians and related institutions	Comgás does not make this kind of contribution.	
SO7 Legal actions alleging unfair competition, trust or monopoly practices	There were no occurrences in the period.	
S08 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.	
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 the life cycle	**How monitoring takes place**	
Development of the concept of the product and/or service	Not applicable	

GRI SUMMARY

Indicator	Comment	Page
Research and Development	Research and Development Program that follows regulatory requisites and monitored by ARSESP.	
Certification	ISO 14001 (whole organization) and ISO NBR 17025 (Gas analysis and testing laboratory).	
Internal processes of qualification of suppliers of materials and services.	Not applicable	
Marketing and promotion	Awareness on the safe use of natural gas, including communication in case of emergency (leakage and lack of gas) and also the internal installations of the clients from various sectors. Risks analysis, operational procedures and awareness for the workforce and other concessionaires on the care with the underground natural gas network.	
Storage, distribution and supply	Risk analysis, introduction and review of procedures considering aspects of health and safety, with training for purposes of qualification and awareness.	
Use and service	According to the norms and best practices of the industry of piped natural gas.	
Arrangement, reuse or recycling	Waste treatments originating from construction, operation and maintenance of the infrastructure of piped gas, including the operational and administrative bases, according to the requisites of certification ISO 14001.	
PR2 Conformidade com regulamentos e códigos voluntários relativos à saúde e segurança	There is no labeling in the service of distribution and marketing of natural gas.	
PR3 Tipos de informação sobre produtos e serviços exigida por procedimentos de rotulagem	There is no labeling in the service of distribution and marketing of natural gas.	
PR2 Compliance with regulations and voluntary codes for health and safety	There is no labeling in the service of distribution and marketing of natural gas.	
PR5 Practices related to customer satisfaction, including results of surveys	Customers	84
PR6 Compliance with laws, norms and voluntary codes	Comgás complies with all duties related to the legislation concerning advertising and marketing. Its communication ensures ethics and respect to the public with which it interacts.	
PR8 Complaints proven in relation to violation of privacy and loss of customer data	There is no record of complaints received that involve violation of privacy of clients.	
PR9 Fines for non-compliance in supply or use of products or services	No case reported in the period.	

FINANCIAL **STATEMENTS**

COMPANHIA DE GÁS DE SÃO PAULO - COMGÁS

DECEMBER 31, 2012

The Financial Statements presented are a translation from 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://comgas.com.br/en/investors/

ASSETS	**2012**	**2011**
Current		
Cash and near-cash (Note 9)	169.725	41.110
Accounts receivable - customers (Note 10)	560.709	402.537
Other accounts receivable (Note 11)	12.826	17.660
Inventories (Note 12)	103.400	89.784
Indirect taxes to offset (Note 15)	58,305	46,227
Gas/transport paid but not used (Note 13)	119,902	111,927
Derivatives (Note 21)	34.675	
Other (Note 14)	32.535	30.156
	1.092.077	739.401
Assets held for sale (Note 16)	18.712	19.581
	1.110.789	758.982
NONCURRENT		
Long-term receivables		
Deferred income tax and social contribution (Nota 24)	1.043.055	108.616
ICMS to recover (Note 17)	14.999	10.745
Accounts receivable (Note 18)	26.085	22.512
Judicial deposits	21.932	18.494
Derivatives (Note 21)	125.768	82.164
Others	1.320	1.666
	1.233.159	244.197
Intangibles (Nota 19)	3.624.159	3.304.491
	4.857.318	3.548.688
Total assets	**5.968.107**	**4.307.670**

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

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

LABILITIES AND SHAREHOLDER EQUITY	2012	2011
CURRENT		
Derivatives (Note 21)		38,802
Borrowings (Note 20)	924,362	343,840
Non-convertible debentures (Note 20)	35,619	38,462
Suppliers (Note 22)	665,428	594,137
Related parties (Note 23)	1,003	1,250
Salaries and social security charges	45,206	37,445
Taxes and contributions to be paid	85,509	57,958
Dividends and interest on shareholder equity	956	5,562
Income tax and social contribution to be paid (Note 24)	121,851	147,597
Prepayments from customers	22,246	22,255
Other payables	1,889	2,534
	1.904.069	1.289.842
NONCURRENT		
Borrowings (Note 20)	1,527,547	1,468,451
Non-convertible debentures (Note 20)	33,340	66,670
Prepayments from customers and others	25,162	25,828
Bonus to be paid	2,868	2,004
Pension benefits obligations (Note 27)	164,446	148,002
Contingency provision (Note 25)	53,402	60,437
	1,806,765	1,771,392
STOCKHOLDERS' EQUITY		
Paid-in capital (Note 26)	636,985	636,985
Capital reserves	845,474	1,292
Revaluation reserves	10,657	11,530
Income reserves	764,157	596,629
	2,257,273	1,246,436
Total liabilities and shareholders' equity	**5,968,107**	**4,307,670**

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

INCOME STATEMENT

FOR THE PERIODS ENDED ON DECEMBER 31

IN THOUSANDS OF BRAZILIAN REAIS

	2012	2011
Net sales revenue (Note 29)	**5.279.523**	**4.102.660**
Gas sales	4,790,535	3,747,530
Revenue from construction - ICPC 01	447,044	326,591
Other revenues	41,944	28,539
Cost of gas	**(3.881.871)**	**(2.996.617)**
Cost of gas	(3.070.899)	(2.310.631)
Transportation and other	(363.928)	(359.395)
Construction - ICPC 01	(447.044)	(326.591)
Gross profit	**1.397.652**	**1.106.043**
Selling expenses (Note 30)	(126.491)	(115.696)
General and administrative expenses (Note 30)	(589.959)	(512.643)
Other operating expenses (Note 30)	(9.450)	(2.015)
Operating income	**671.752**	**475.689**
Net financial expenses (Note 31)	**(163.650)**	**(159.960)**
Financial revenues	45.884	25.920
Financial expenses	(209.534)	(185.880)
Profit before income tax and social contribution	508.102	315.729
Income tax and social contribution (Note 24)	(141.447)	(79.590)
Net income for the year	366.655	236.139
Basic and diluted earnings per share attributable to shareholders of Company, expressed in Brazilian reais per share (Note 32)		
Preferred	3.29	2.12
Common	3,00	1,93

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

STATEMENTS OF CHANGES
IN SHAREHOLDER`S EQUITY
IN THOUSANDS OF BRAZILIAN REAIS

			CAPITAL RESERVES	
	Capital	Tax incentives	For future capitalization	Goodwill reserve
Em 31 de dezembro de 2010	**636.985**	**1.201**	**91**	
Revaluation reserve reversed				
IIncome taxes and social contribution on revaluation reserve reversed				
Net income for the year				
Dividends paid				
Use of net income				
Legal reserve				
Interest on shareholder equity				
Retained income				
Em 31 de dezembro de 2011	**636.985**	**1.201**	**91**	
Revaluation reserve reversed				
Income taxes and social contribution on reavaliação				
Net income for the year				
Interim dividends				
Use of net income				
Legal reserve				
Interest on shareholder equity				
Retained income				
Incorporação - Provence Participações S.A. (Note 1)			41	844.141
December 31, 2012	**636.985**	**1.201**	**132**	**844.141**

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

STATEMENTS OF CHANGES
IN SHAREHOLDER`S EQUITY
IN THOUSANDS OF BRAZILIAN REAIS

	INCOME RESERVES			
Revaluation reserves	Legal reserve	Retained income	Accrued profitw	Total
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**
(1.599)			1.599	
726			(726)	
			366.655	366.655
		(128.993)		(128.993)
	18.376		(18.376)	
			(71.007)	(71.007)
		278.145	(278.145)	
				844.182
10.657	**93.272**	**670.885**		**2.257.273**

CASH FLOWS STATEMENTS
FOR THE PERIOD ENDED ON DECEMBER 31

(IN THOUSANDS OF BRAZILIAN REAIS)

	2012	2011
Profit before income tax and social contribution	508.102	315.729
Adjustments for		
Depreciation and amortization (Note 19)	290.563	242.081
Losses on derecognizing intangible assets (Note 19)	5.925	1.220
Interest and monetary variation on borrowings and debentures	175.530	178.176
Contingency provision for labor and civil-law claims, administrative proceedings/ judicial deposits	(4.627)	(5.991)
Post-employment benefit as per CVM No. 600	16.444	16.444
Doubtful debtor provision (Note 10)	29.627	20.445
	1.021.564	765.746
Changes in assets and liabilities		
Accounts receivable	(188.788)	(59.686)
Taxes to offset and ICMS to recover - PP&E	(12.328)	(9.687)
Inventories	(13.616)	(7.777)
Suppliers	71.292	170.032
Taxes, fees and contributions	8.860	+631
Provisions for vacations, profit sharing and earnings	3.473	924
Sundry credits, prepaid expenses and other	(6.887)	(45.219)
Advances from customers and other	2.263	+21.322
Cash from operations	881.307	836.286
Interest charges paid - borrowings /financing	(141.669)	(127.391)
Income tax and social contribution paid	(251.554)	(183.121)
Net cash from operations	488.084	525.774
Net cash from investing	(616.156)	(509.713)
Additions to intangibles	(616.156)	(509.713)
Net cash from financing activities	+256.687	(120.331)
Borrowings/financing	1.852.133	1.297.374
Amortization of principal - borrowings/financing	(1.399.629)	(973.850)
Interest on shareholder equity	(66.854)	(63.942)
Payment of dividends	(128.963)	(379.913)
Increase (decrease) cash and near-cash	128.615	(104.270)
Initial balance cash and near-cash	41.110	145.380
Final balance cash and near-cash	169.725	41.110

STATEMENTS OF VALUE ADDED

FOR THE PERIOD ENDED ON DECEMBER 31

(IN THOUSANDS OF BRAZILIAN REAIS)

	2012	2011
Revenues	6.526.889	5.135.045
Revenue from gas sales	6,072,320	4,799,170
Other operating revenues	46,498	31,732
Doubtful debtor provision	(29,523)	(20,433)
Revenue from construction - ICPC 01	447,044	326,591
Other revenues (expenses)	(9,450)	(2,015)
Costs and expenses	(4.913.698)	(3.848.699)
Cost of gas and transport	(4,290,153)	(3,363,796)
Cost of goods/services sold	(18,697)	(17,913)
Construction cost - ICPC 01	(447,044)	(326,591)
Materials, services and other expenses	(157,804)	(140,399)
Gross value added	1.613.191	1.286.346
Retentions	(290.008)	(240.595)
Amortizations	(290.008)	(240.595)
Net value added generated	1.323.183	1.045.751
Added value received as transfer	45.884	25.920
Financial revenues	45.884	25.920
Value added for distribution	1.369.067	1.071.671
Distribution of value added	1.369.067	1.071.671
Personnel and related charges	145.473	132.069
Taxes, fees and contributions	615.588	485.132
Financial expenses and rents	241.351	218.330
Financial expenses and rents	71.007	69.799
Retained earnings	295.648	166.341

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

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).

On December 19, 2012, at the Extraordinary General Meeting, management approved the Merger Protocol and Rational relating our reverse merger with parent company Provence Participações S.A., a joint-stock business corporation headquartered at Avenida Presidente Juscelino Kubitschek 1327, 4th floor, room 16, in the city of São Paulo, enrolled with Ministry of Finance register (CNPJ/MF) number 12.623.886/0001-09 (“Provence”), which was signed by our management and Provence on December 3, 2012.

As of that date, therefore, we were directly controlled by Cosan S.A. Indústria e Comércio, with a holding of 60.05%.

As per the balance sheet issued on this date, the principal asset owned by Provence Participações S.A. was its investment in our share capital and goodwill in the amount of R$2,482,767, the latter based on tax records and stated at the time of acquiring said control on November 5, 2012. Due to this merger, goodwill will be deductible from our calculation base for Corporate Income Tax and for Social Contribution on Net Income pursuant to Article 386 of the Income Tax Regulations (Decree 300/99) and the Federal Tax Authority’s Normative Instruction 11/99. Additionally, a provision (R$1,638,626) was made in an amount equivalent to the difference between goodwill and tax benefits arising from its amortization, as stipulated in Article 6, paragraph 1, of CVM Instruction 319/99, as subsequently amended.

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

Therefore, on December 19, 2012, the net assets of the directly controlling parent company Provence Participações S.A. that were absorbed into our assets were stated as follows:

ASSETS	
CURRENT	
Recovery taxes	41
	41
NONCURRENT	
Investments	917.234
Tax benefit	844.141
	1.761.375
Total assets	**1.761.416**
LIABILITY	
CURRENT	
Related companies	1
	1
Stockholder`s equity	1.761.415
Total liabilities	**1.761.416**

Due to the merger, we recognized a special goodwill reserve in the amount of R$844,141, equivalent to the tax benefit due from amortizing this goodwill.

The concession agreement for public piped-gas distribution services was signed on May 31, 1999, by 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, five-yearly 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 22, 2013, 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 2012, 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, 2012 and 2011, we had no instruments classified in the following categories: (i) held for trading at fair value "through profit or loss", (ii) held to maturity, except for derivatives as described in Note 2.7, and (iii) available for sale.

Loans and receivables

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

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

2.5.2 Recognition and measurement

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

2.5.3 Offsetting financial instruments

Financial assets and liabilities are not offset, except derivatives, whose net value is reported on the balance sheet when there is a legally enforceable right to offset values recognized and there is the intention of netting or simultaneously realizing the asset and settling the liability.

2.5.4 Impairment of financial assets

Assets measured at amortized cost

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

2.6 Fair Value

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

2.7 Derivatives and hedging

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

Fair Value Hedge

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

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 Noncurrent assets held for sale

Noncurrent 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 noncurrent 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 financial 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: (a) we have a present or constructive obligation as a result of past events, (b) an outflow of resources will probably be required to settle the obligation, and (c) the amount may be reliably estimated. 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 noncurrent)

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 on the balance sheet in relation to liabilities of post-employment benefit plans is the present value of the obligation less the fair value of assets, including unrecognized 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”, based on percentage-completion of the asset’s construction. 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, we do not recognize infrastructure construction margin.

(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. STANDARDS, ALTERATIONS AND INTERPRETATIONS OF STANDARDS NOT YET IN FORCE

The following new rules, amendments, and interpretations issued by the IASB are not effective for the year ended December 31, 2012. 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 standard is applicable as of January 1, 2013. The main impacts expected for our financial statements due to their adoption are as follows: (a) immediate recognition of past service costs. The unrecognized loss as of December 31, 2012 was of R$126,594; (b) replacement of interest on liabilities and expected return on assets by a single interest rate is likely to lead to a small net increase in the plan's cost in the income statement.

• CPC 40 (IFRS 7) - "Financial Instruments: Disclosure". The standard is applicable as of January 1, 2013. The main impacts expected for our financial statements due to their adoption are as follows: (i) valuation of the significance of financial instruments for our financial position and performance; (ii) the nature and extent of risks to which we are exposed arising from financial instruments, (iii) and how we manage these risks.

• CPC 46 (IFRS 13) - "Fair Value Measurement". The standard is applicable as of January 1, 2013. The main impacts expected for our financial statements due to their adoption are as follows: improve consistency and reduce complexity of fair value measurement, providing a more precise definition and a single source of fair value measurement and disclosure requirements for IFRS purposes.

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

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

(b) Provisions

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

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

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

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

(c) Fair value of derivatives and other financial instruments

Comgás has financial instruments 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.

(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.

Together with our outside actuaries, we determine 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.

(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.

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.

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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, 2012 and December 31, 2011, outcomes under these covenants were within parameters set in contractual agreements.

One of the financial leverage ratios used by management is shown below:

	2012	2011
Net debt	2.190.700	1.832.951
EBITDA	961.760	716.284
(=) Net debt/EBITDA	2,28	2,56

(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

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.

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. Foreign currency funding exposure is covered by hedging transactions that enable us to offset exchange-rate variations, in most cases linked to variations in the rate on Interbank Deposit Certificates (CDI rate), using currency forwards, or swaps.

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 gross 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.

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.

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 asset (liability), 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, 2012, 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.

(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 may use derivative instruments.

We manage liquidity risk by matching credit lines to its commitments and holding its financial assets in daily-liquidity short-term deposits at first-line institutions.

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 flow.

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					2012
	Up to 1 year	Over 1 and up to 2 years	Over 2 and up to 5 years	More than 5 years	Total
Non-derivative financial instruments					
Loans	1.007.950	366.743	937.912	496.188	2.808.793
Suppliers and other accounts payable	689.564	-	-	-	689.564
	1.697.514	**366.743**	**937.912**	**496.188**	**3.498.357**

	Up to 1 year	Over 1 and up to 2 years	Over 2 and up to 5 years	More than 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**

					2012
	Up to 1 year	Over 1 and up to 2 years	Over 2 and up to 5 years	More than 5 years	Total
Derivative financial instruments					
Derivatives used as hedging					
Outflows (COMGÁS)	(300.458)	(57.838)	(492.738)	(284.146)	(1.135.180)
Inflows (COMGÁS)	289.115	27.691	422.258	314.595	1.053.659

					2011
	Up to 1 year	Over 1 and up to 2 years	Over 2 and up to 5 years	More than 5 years	Total
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

(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 are contracted in the OTC market and no deposit is required to guarantee the transaction.

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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 the quoted price in the active market, in accordance with provisions agreed in contracts between the parties.

Values of derivatives are summarized below:

Description	Counterparty	Orig. Currency	Assets	Liability	Expiry end
EIB II - first tranche	Various banks	USD	VC + 3,881 a.a	94,34 CDI	Jun 2020
EIB II - second tranche	Various banks	USD	VC+2,936 a.a.	95,20 CDI	Set 2020
EIB II - third tranche	Various banks	USD	VC + LIBOR 6M + 0,483	88,47 CDI	Mai 2021
EIB II - fourth liberação	Various banks	USD	VC + LIBOR 6M + 0,549	81,11 CDI	Set 2021
HSBC - Resolution no 4.131	HSBC	USD	VC + 4,06 a.a.	104,40 CDI	Mai 2013
Itaú - Resolution no 4.131	Itaú	USD	VC + 3,35 a.a.	109,50 CDI	Ago 2013
CHARTERED Resolution no 4.131	STD CHARTERED	USD	VC + 2,7412 a.a.	104,90 CDI	Set 2013
HSBC (Sumitomo)Resolution no 4.131	HSBC	USD	VC + LIBOR 6M + 2,00 a.a.	94,12 CDI	Out 2013
SCOTIABANK - Resolution no 4.131	SCOTIABANK	USD	VC + 3,7975 a.a.	113,75 CDI	Jul 2017

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

e) Sensitivy analysis

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

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

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

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• Exposure scenarios for financial instruments indexed to the variable interest rate (interbank rate, or CDI) on the basis of yield curves determined December 31, 2012.

• 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, 2012.

• Scenario II - all risk factors deteriorate 25% in relation to levels of December 31, 2012.

• Scenario III - all risk factors show 50% deterioration in relation to December 31, 2012.

Description	**Risk**	**Scenario I (probable)**	**Scenario II 25%**	**Scenario III 50%**
Regulatory current account(*)	SELIC rate variation	20.361	16.706	13.050
Foreign currency debt				
Debt	USD variation		(255.564)	(511.127)
Derivative	USD variation		255.564	511.127
Net effect				
Derivative (Liability end)	CDI variation	(59.257)	(72.050)	(86.185)
Debt in local currency				
Debt - Interbank rate CDI	Interbank (CDI)	(12.171)	(14.595)	(17.035)
Debt at long-term rate TJLP	TJLP variation	(91.220)	(104.198)	(116.938)
Underlying premises				
SELIC (conta-corrente regulatória)		7,11	5,29	3,49
SELIC		7,11	8,96	10,85
USD		2,044	2,554	3,065
CDI		6,90	8,70	10,53
TJLP		5,50	6,88	8,25

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

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(f) Estimated fair value

The fair value of financial instruments traded on an active market 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, 2012:

				2012
	Tier 1	Tier 2	Tier 3	Total
Assets				
Derivatives used as hedging		1.022.254		1.022.254
Total assets		**1.022.254**		**1.022.254**
Liabilities				
Derivatives used as hedging		(861.811)		(861.811)
Total Liabilities		**(861.811)**		**(861.811)**

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The table below shows Comgás' assets and liabilities measured at fair value on December 31, 2011:

				2011
	Tier 1	Tier 2	Tier 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)

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6. REGULATORY ASSETS (LIABILITIES)

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

Periodically, charges or credits 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.

	2012	2011
Cost of gas to be recovered/(passed on)	377.884	156.727
Tax credits to recover / (pass on)	3.144	(6.743)
Ajustment to present value - taxes	(134)	382
	380.894	150.366
Assets (liabilities) initial balance	150.366	(229.659)
Assets (liabilities) final balance	380.894	150.366
Revenue not recognized in income before IR/CS taxes	230.528	380.025
Regulatory assets (liabilities)	216.397	400.771
Update	22.397	(10.811)
Other	(8.266)	(9.935)

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7. FINANCIAL INSTRUMENTS BY CATEGORY

			2012
	Loans and receivables	**Derivatives used as hedging**	**Total**
Assets as per balance sheet			
Judical deposits	21.932		21.932
Derivatives		160.443	160.443
Accounts receivable from customers and other receivables excluding prepayments	693.551		693.551
Cash and near-cash/financial	169.725		169.725
	885.208	**160.443**	**1.045.651**

			2011
	Loans and receivables	**Derivatives used as hedging**	**Total**
Ativos, conforme o balanço patrimonial			
Judical 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/financial	41.110	-	41.110
	566.954	**82.164**	**649.118**

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2012

	Liabilities at fair value through profit/loss mensurados	Derivative financial liabilities	Other financial liabilities	Total
Liability as per balance sheet				
Loans	2.451.909			2.451.909
Derivatives				
Debentures			68.959	68.959
	2.451.909		68.959	2.520.868

2011

	Liabilities at fair value through profit/loss mensurados	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**

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8. CREDIT QUALITY OF FINANCIAL ASSETS

(a) COMGÁS has a portfolio of approximately 1,215,000 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.

	2012	2011
Current account and short-term bank deposits (*)		
AAA	132,754	24.256
AA	36.971	16.854
A		
	169.725	**41.110**

(*) 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) and private securities. These instruments offer immediate liquidity provided by their issuing financial institution.

	2012	2011
Cash and bank	22.350	16.432
Investments in Banking Deposit Certificates (CDBs)	147.375	24.678
	169.725	**41.110**

10. ACCOUNTS RECEIVABLE – CUSTOMERS

(a) Breakdown of accounts receivable as follows:

	2012	2011
Gas-bill receivables	317.668	221.272
Gas bills by installments	13.433	11.802
Debtors - sales of equipment	23.958	21.566
Receivables from related parties (Note 23)	1.934	1.891
Adjusted to present value	(1.482)	(2.030)
Non-invoiced revenues	311.344	224.418
Impairment of receivables	(106.146)	(76.382)
	560.709	**402.537**

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.

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(b) Losses recorded in 2012 and 2011 are shown below:

	2012	**2011**
January 1st	76.382	55.820
Provision for impairment of receivables	29.764	20.562
December 31st	106.146	76.382

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

(c) Summary of customer receivables by due date:

	2012	**2011**
Values falling due	132.778	73.786
Overdue		
Up to 30 days	50.340	34.681
Over 30 day	136.484	114.696
	319.602	**223.163**

On December 31, 2012, receivables due in over 30 days showed impairment in the amount of R$106,146, (December 31, 2011, R$76,382).

11. OTHER ACCOUNTS RECEIVABLE

	20122011
Take or pay - costumers	2.4993.867
Financing - Marketing program	5.6236.918
Financing - marketing program	
Customer receivables from extension of pipeline network	1.1701.170
Other	3.5345.705
	12.82617.660

"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

	2012	**2011**
Inventories of materials for construction	72.79959.841	
Finished product	1.515	1.817
Misc. materials	29.086	28.126
	103.400	**89.784**

13. TRANSPORT PAID BUT NOT USED

	2012	**2011**
Transport (ship or pay) PETROBRAS	119.902	111.927
	119.902	111.927

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The recovery of amounts referring to the "Transport paid but not used" takes place automatically without onus for Comgás to the extent that transport is used in excess of the percentage stipulated in the contracts, as disclosed in Note 22.

14. OTHER

	2012	2011
Advances to suppliers	21.649	18.374
Advances to employees	9.050	8.552
Prepaid expenses	1.671	1.750
Other	165	1.480
	32.535	**30.156**

15. INDIRECT TAXES TO OFFSET

Tax to be offset breaks down as follows:

	2012	2011
ICMS to recover	43.571	37.632
ICMS tax on assets	10.979	8.896
Prepaid CSSL	4.005	
Adjusted to present value	(470)	(505)
Other	220	204
	58.305	**46.227**

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 advance against future sale of land and buildings stated under "Advances from customers" in "Current Liabilities", as advance 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$14,999 (December 31, 2011 - R$10,745), 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.

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18. ACCOUNTS RECEIVABLE – NONCURRENT

The breakdown of long-term receivables is shown below:

	2012	2011
Deposits	12.767	10.521
Amounts recoverable due to pipeline interventions	4.387	5.303
Debtors - sales of equipment	7.222	7.184
Financing - marketing program	2.202	
Adjusted to present value	**(493)**	**(496)**
	26.085	**22.512**

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

		Movements			
	2011	Additions	Transfers	Write-down	2012
Intangibles in use					
Concession agreement	3.672.089		504.789	(26.437)	4.150.441
Accumulated amortization (ii)	(1.112.776)	(143.771)	(1.885)	21.596	(1.236.836)
	2.559.313	(143.771)	502.904	(4.841)	2.913.605
Customer loyalty	566.275		183.769	(1.494)	748.550
Accumulated amortization (i)	(314.234)	(109.965)	2.770	433	(420.996)
	252.041	(109.965)	186.539	(1.061)	327.554
Software and other	213.075		35.165		248.240
Accumulated amortization (i)	(125.171)	(36.828)	(885)		(162.884)
	87.904	(36.828)	34.280		85.356
Total intangibles in use	2.899.258	(290.564)	723.723	(5.902)	3.326.515
Intangibles in progress	405.233	616.156	(723.723)	(22)	297.644
Total intangibles	3.304.491	325.592		(5.924)	3.624.159

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

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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, 2012 and 2011:

Net book values	weighted average p..a.%	2011	Additions/ transfers	Amortizations	Write-down	2012
Sites		23.095	213			23.308
Piping	3,4	2.084.904	401.811	(101.693)	(1.524)	2.383.498
Buidings and fixtures	2,7	55.298	4.580	(2.099)	(2.144)	55.635
Machinery an equipment	5,4	373.186	68.074	(24.850)	(852)	415.558
Transport equipment	20	7.287	3.872	(3.654)	73	7.578
Administrative equipment and furniture	10	15.543	24.354	(11.475)	(394)	28.028
		2.559.313	**502.904**	**(143.771)**	**(4.841)**	**2.913.605**

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$143,771 and was duly appropriated to earnings for the year ended December 31, 2012.

Income tax and social contribution tax on revaluation balance totaled R$5,259 at December 31, 2012 (December 31, 2011 - R$5,985). The net amount relating to realization of revaluation reserve is not included in the calculation base for dividend distribution.

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During the year ended December 31, 2012, Comgás capitalized the amount of R$22,646 (December 31, 2011 - R$25,830) relating to interest on borrowings used to build these assets.

20. BORROWINGS

		2012		2011
	Current	**Noncurrent**	**Current**	**Noncurrent**
Borrowings	923.094	1.526.479	342.587	1.466.115
Non - Convertible debentures	35.619	33.340	38.462	66.670
Liabilities - Financial leases	1.268	1.068	1.253	2.336
	959.981	**1.560.887**	**382.302**	**1.535.121**

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(a) Borrowings

			2012		2011
	Charges - %	Current	Noncurrent	Current	Noncurrent
In foreign currency					
BNDES (Project III)	TJLP + 4,0 a.a.	9.604		38.483	9.570
BNDES (Project IV) - direct	TJLP + 3,2 a.a.	38.036	37.791	38.234	75.581
BNDES (Project IV) - direct c/ fiança	TJLP + 2,8 a.a.	91.794	91.184	92.231	182.368
BNDES (Project III) - Bco. Votorantim	TJLP + 4,7 a.a.	3.931		15.754	3.916
BNDES (Project III) - Bco. Bradesco	TJLP + 4,7 a.a.	3.931		15.754	3.916
BNDES (Project V)	TJLP + 2,8 a.a.	115.102	396.319	100.500	442.179
BNDES (Project VI)	TJ462 + 1,8 a.a.	553	61.432		
BNDES (Project VI)	Selic + 1,8 a.a.	3.362	239.270		
BNDES (PEC)	TJLP + 5,5 a.a.			27.372	
BRADESCO - Promissory Note	105,20 CDI	159.846			
SANTANDER Credit Assignment	CDI + 1,3754 a.a.	59.724			
SANTANDER - KG	106,00 do CDI	40.011			
SANTANDER - KG	106,00 do CDI	75.021			
		600.915	825.996	328.328	717.530
In foreign currency (*)					
EIB II - first Tranche - USD	3,881 a.a.	6.727	178.070	3.042	171.350
EIB II - second Tranche - USD	2,936 a.a.	2.453	81.995	1.095	69.423
EIB II - third Tranche - USD	LIBOR 6M	1.787	138.723	1.153	123.418
EIB II - fourth Tranche - USD	LIBOR 6M	2.255	141.441	2.265	118.850
HSBC - USD	4,06 a.a.	41.204			35.930
Itaú - USD	3,35 a.a.	64.806		1.955	56.952
CHARTERED - USD	2,74 a.a.	93.535		2.329	82.074
HSBC (Sumitomo) - Resolution no 4.131	LIBOR 6M +				
	2,00 a.a.	103.516		2.420	90.588
SCOTIABANK - Resolution no 4.131	3,7975 a.a.	5.896	160.254		
		322.179	700.483	14.259	748.585
		923.094	**1.526.479**	**342.587**	**1.466.115**

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

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Noncurrent amounts composed as follows by year of expiry:

	2012
2013	
2014	271.887
2015	211.874
2016	268.164
2017	346.526
2018 em diante	428.028
	1.526.479

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 - % a.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
SCOTIABANK - Resolution no 4.131	3,7975

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

. **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 banker’s guarantee with 100% financing.

. **Project VI** - direct operation with BNDES: banker’s guarantee from Bradesco (67.83%), Itaú (14.56%) and Safra (17.61%).

During the first half of 2012, we paid out the last disbursement of Project V with BNDES in the amount of R$78 million. Several tranches were disbursed/drawn down under this agreement in 2009, 2010, 2011 and 2012 in relation to financing part of our 2009-2011 investment program.

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In the second half of the year, we paid out the first disbursement of Project VI with BNDES in the amount of R$300 million.

(b) Non-convertible debentures

					2012		2011
Emissão	**Series**	**Quantity**	**Return - %**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Second	Única	1	CDI + 1,5 a.a.	35.619	33.340	38.462	66.670
				35.619	33.340	38.462	66.670

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

In August 2012, there was the first amortization of principal (33.33%), and the remaining principal will be due in repayments of 33.33% and 33.34% in August 2013 and 2014 respectively. Interest charges will be paid annually without renegotiation. In August 2012, the fourth payment of interest charges was made in the amount of R$11,840.

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.

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(c) Liabilities - financial leases

			2012		2011
In foreign currency	**Monthly payments due date**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
Licenças de software	2.014	1.268	1.068	1.253	2.336
		1.268	1.068	1.253	2.336

The minimum lease payments of financial leases are as follows:

Year	2012	2011
Less than 1 year	1.540	1.417
More than 1 year and less than 5 years	1.432	3.082
	2.972	4.499
Effect of discount	(636)	(910)
Present value of lease obligations	**2.336**	**3.589**

(d) Promissory Notes

On March 15, 2012, we concluded our issue of 150 promissory notes for R$1,000 each, totaling R$150,000 due in 360 days.

Amortization of principal and interest charges will be due when the bond/security is due.

The Promissory Note'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

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21 DERIVATIVES

Values recognized for derivative financial instruments:

		2012		2011	
circulanteIn foreign currency	**Charges - %**	**Current**	**Noncurrent**	**Current**	**Noncurrent**
EIB II - first tranche	94,34 do CDI	(3.220)	34.663	(7.388)	7.610
EIB II - second tranche	95,20 do CDI	(2.061)	16.488	(4.027)	4.517
EIB II - third tranche	88,47 do CDI	(5.124)	33.951	(7.264)	15.118
EIB II - fourth tranche	81,11 do CDI	(4.481)	34.009	(6.898)	16.049
HSBC	104,40 do CDI	6.423			3.757
Itaú	109,50 do CDI	14.158		(3.179)	10.731
Chartered	104,90 do CDI	19.667		(4.962)	14.219
HSBC (Sumitomo) - Resolução no 4.131	94,12 do CDI	15.173		(5.022)	10.163
SCOTIABANK - Resolução no 4.131	113,75 do CDI	(5.860)	6.657	(62)	
NDF					
		34.675	**125.768**	**(38.802)**	**82.164**

	2012		2011	
	Asset	**Liability**	**Asset**	**Liability**
EIB II - first tranche	184.718	(153.275)	174.393	(174.171)
EIB II - second tranche	84.369	(69.942)	70.518	(70.028)
EIB II - third tranche	140.495	(111.667)	124.571	(116.717)
EIB II - fourth tranche	143.460	(113.933)	121.115	(111.965)
HSBC	41.204	(34.781)	35.930	(32.173)
Itaú	64.806	(50.648)	58.906	(51.354)
Chartered	93.535	(73.868)	84.402	(75.145)
HSBC (Sumitomo) - Resolução no 4.131	103.517	(88.344)	93.008	(87.866)
SCOTIABANK - Resolução no 4.131	166.150	(165.353)		
NDF				(62)
	1.022.254	**(861.811)**	**762.843**	**(719.481)**

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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.

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, 2012, 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

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

	2012	2011
Suppliers of gas/transportation	562,714	513,632
Suppliers of materials and services	102,714	80,505
	665,428	594,137

Contract with PETROBRAS, firm-basis, started in January 2008, effective until December 2013, with daily contracted quantity of 5.22 million m³/day.

. Contract with PETROBRAS, firm basis, effective until June 2019 and daily amount of Bolivian gas contracted of 8.10 million m³/day.

. 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 m³/day. Inception January 2008; duration through December 2012.

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

.In September 2012, a new short-term agreement was made to continue the auction offerings. The duration of the new agreement is through September 2013. PETROBRAS will not inform the volume offered, each Local Distribution Company (Portuguese acronym CDL) will make its own offer for volume and price. Every month there may be gas supply for 1, 2 and/or 3 months (seasonality) with a ToP level of 100%. This new model agreement comprises weekly purchase/sale of near-term gas with PETROBRAS.

.Contract with Gás Brasiliano, firm basis, for quantity of up to 18 million m^3/year starting April 2008 through November 2012. Renewed as of November 2012 through November 2013.

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 "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$/$m^3$. Bolivian gas is calculated in US$/million BTU, with monthly adjustments for exchange rate variations.

23 RELATED PARTIES

(a) Controlling companies

Balance receivable referring to Comgás controlling companies on December 31, 2012:

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		Moviment		
	2011	Revenues	Receipts	2012
Shell Brasil S.A.	149	1.205	(1.196)	158
Shell Brasil Ltda.	1.743	20.878	(20.845)	1.776
	1.892	22.083	(22.041)	1.934

Balance payable referring to Comgás controlling companies on December 31, 2012:

		Moviment		
	2011	Expenses updates	Payments	2012
Cosan S.A. Indústria e Comércio		1		1
Grupo BG (CSA)	295	1.812	(2.107)	
Grupo Shell (CSA)	955	4.413	(4.366)	1.002
	1.250	**6.226**	**(6.473)**	**1.003**

The commercial services agreement is divided as follows:

(i) Grupo BG

. Commercial Services Agreement (CSA) ending November 5, 2012, BG ensured availability of commercial staff and services in order to provide administrative support to conduct our business; this agreement was terminated when Provence Participações S.A. acquired control, as disclosed in Note 1.

(i) 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:

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

	2012	2011
Salaries and other short term benefits	12.769	11.409
	12.769	11.409

24 INCOME TAX AND SOCIAL CONTRIBUTION

(a) Income tax and social contribution - results

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

	2012	2011
Income before income tax/social sec. (IR/CS)IR/CS	508.102	315.729
Rate - %	34	34
Nominal income tax and s ocial contribution	(172.755)	(107.348)
Permanent debits/credits		
Interest on shareholder equity	24.142	23.731
Tax incentives (Rouanet)	7.924	8.104
Permanent additions	(784)	(4.371)
Other	26	294
	(141.447)	(79.590)

(b) Deferred income tax and socialcontribution - balance

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

	Pension benefit obligation	Provision	Losses Fair Value	Regulatory (assets) (liabilities)	Goodwill	Others	Total
Deferred tax assets December 31, 2011	50.321	37.191	44.095	51.124	-	(20.294)	162.437
Charged (credited) to income statement	5.591	9.315	(14.620)	78.379	-	1.935	80.601
Credited to special goodwill reserve					844.141		844.141
December 31, 2012	55.912	46.506	29.475	129.503	844.141	(18.359)	1.087.178

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	Fair Value gains	Revalution of properties	Other	Total
Deferred tax liability				
December 31, 2011	40.726	5.985	7.110	53.821
Charged (credited) to income				
statement	9.448	(726)	476	(9.698)
December 31, 2012	31.278	5.259	7.586	44.123
Net				1.043.055

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.

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

25 CONTINGENCY PROVISION

	2011	Updates/entries	Write-downs	2012
Labor-court claims	10.277	1.422	(1.027)	10.672
Civil-law	37.025	3.584	(1.538)	39.071
Tax	13.135	2.518	(11.994)	3.659
	60.437	7.524	(14.559)	53.402

Possible losses that have not been provisioned in the balance

We are party to tax, civil and labor/ employment actions or claims involving risks of loss, which based on our legal advisors assessment, management has rated “possible”, and for which no provision was made, estimated as follows:

	2011	2012
Labor-court claims	559	394
Civil-law	43.622	28.128
Tax claims	64.270	96.837
	108.451	125.359

(i) Labor claims refer to claims involving salary differences, overtime, additional pay for dangerous and unsanitary conditions, and joint liability, among others. On December 31, 2012, the remaining balance of lawsuits rated “possible loss” is R$394 (December 31, 2011 - R$559).

(ii) 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, 2012, there are other claims of a similar nature amounting to R$28,128 (December 31, 2011 - R$43,622), which management and legal advisors rated as possible losses and therefore no provision was made.

(iii) Tax contingencies relate to tax assessments from prior years. On December 31, 2012, there were tax cases totaling R$96,837 (December 31, 2011 - R$64,270), which legal advisors and management rated as possible losses and therefore no provision was made.

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

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, 2012, share capital stock was R$636,985 (R$636,985 on December 31, 2011), represented by 93,910,898 common shares without par value and 25,911,899 preferred shares without par value, broken down as follows:

Number of shares - millions

	Common	Percentage	Preferred	Percentage	Total	Percentage
Shareholders						
Cosan S.A. Indústria e Comércio	68.309	72,74	3.649	14,08	71.958	60,05
Integral Investiments BV	14.212	15,13			14.212	11,86
MCAP POLAND Fundo						
Inv. in stocks	71	0,08	10.439	40,29	10.510	8,77
Shell Brazil Holding BV	7.594	8,09			7.594	6,34
Skopos Master Fundo de Inv. em ações	940	1,00	555	2,14	1.495	1,25
Other	2.785	2,96	11.269	43,49	14.054	11,73
	93.911	100,00	25.912	100,00	119.823	100,00

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

(b) Accrued profit

January 1st, 2011	
Income for the year	236.139
Minimum mandatory dividends and interest on shareholder's equity in 2011	(69.799)
Transfer to legal reserve	(11.889)
Revaluation reserve reversed	1.639
Transferência para retenção de lucro	(156.090)
December 31, 2011	

January 1st, 2012	
Income for the year	366,655
Interest on shareholders' equity in 2012 imputed to mandatory minimum dividend	(71,007)
Transfer to legal reserve	(18,376)
Revaluation reserve reversed	873
Transfer to retained earnings	(278,145)
December 31, 2012	

c) Dividends

Pursuant to the 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.

The minutes of the Board of Directors of December 3, 2012 record approval for R$128,993 from the retained earnings reserve account in the balance of the fiscal year ended December 31, 2011 being the allocated to our lump-sum payment of interim dividends on December 27, 2012, before the end of the fiscal year.

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Dividents	
Profit available for distribution on December 31, 2012	366.655
Changes in retained earnings	873
	367.528
Transfer to legal reserve (5%)	18.376
Calculation base for dividends	349.152
Minimum dividends 2012	87.288
Interest on shareholder equity -gross	(71.007)
Income tax on interest on shareholder equity	8.789
Juros sobre capital próprio líquido	(62.218)
Interim dividends paid	(128.993)
Total dividends and interest on shareholders' equity paid in 2012	(191.211)
Total dividends to be paid out in December 2012	

During 2012, the amount paid out as interest on shareholders' equity and interim dividends surpassed minimum mandatory dividends, therefore no mandatory dividends are to be paid on December 31, 2012.

(d) Interest on shareholder equity

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 was paid on January 31, 2012.

On December 3, 2012, the Board of Directors voted to pay out a total of R$71,007 as interest on shareholders' equity for FY 2012 on December 27, 2012.

Interest on shareholder equity that is paid to shareholders must be imputed to the mandatory minimum dividends to be paid in 2013 for the fiscal year 2012, 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".

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

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

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

The general meeting may decide on the amount of retained earnings surpassing share capital as stipulated in Law 6404 Article 199.

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, 2012, we use the following assumptions:

	2012	2011
Discount rate	9,46	10,25
Inflation	5,5	4,5
Expected return on plan assets	9,46	10,75
Future salary increases	8,66	7,65
Increases in future pension	5,5	4,5
Morbidade (aging factor)	3	3

	2012	2011
Mortality (by gender)	AT-2000	AT-83
Mortality of invalids	IAPB-1957	IAPB-57
Invalidity date (modified)	UP-1984	UP-84
Turnover	0,3/(years of service+ 1)	0,3/years 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:

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

	2012	2011
Value of actuarial liabilities	297,772 210,612	
Unrecognized actuarial loss (126,594)	(56,715)	
Fair value of plan assets	(6,732)	(5,895)
Net actuarial liabilities 164,446	148,002	

Changes in actuarial liabilities for the year ended December 31, 2012 is as follows:

	2012
Net actuarial liabilities	148.002
Expenses in the period	26.623
Employer contributions	(10.179)
Net actuarial liabilities	**164.446**

Expenses recognized in income on December 31 stated as follows:

	2012	2011
Current gross servicing cost (with interest)	508	449
Interest on actuarial liabilities	20,956 20,001	
Expected return on plan assets	(636)	(1,429)
Amortization of actuarial losses	5,795 3,855	
Expenses	26,623 22,876	

Tax effects arising from this provision are recorded under "Income tax and social contribution" in the "Noncurrent" 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 2012 was R$673 (R$4,198 in year 2011), 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.

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Margin by segment - January 1, 2012 to December 31, 2012

Segment	Residential	Commercial	Industrial	Thermo-Generation
Volume m³ thousand (unaudited)	198.872	111.662	3.788.744	527.014
Gross revenues	650.715	252.948	4.345.819	195.813
Deductions	(138.282)	(52.955)	(923.691)	
Net revenues	512.433	199.993	3.422.128	195.813
Ativo (passivo) regulatório	17.453	5.899	190.336	
Cost	(140.693)	(78.730)	(2.652.105)	(177.790)
Gross economic results	389.193	127.162	960.359	18.023
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 year				

Cogeration	Automotive	Revenue from construction	Other Revenues	Total
357.530	274.809			5.258.631
346.596	234.408	447.044	46.498	6.519.841
(71.024)	(49.812)		(4.554)	(1.240.318)
275.572	184.596	447.044	41.944	5.279.523
(5.938)	8.647		(8.266)	208.131
(217.054)	(149.760)	(447.044)	(18.695)	(3.881.871)
52.580	43.483		14.983	1.605.783
				(208.131)
				1.397.652
				(889.550)
				(725.900)
				(126.491)
				(589.959)
				(9.450)
				(163.650)
				45.884
				(209.534)
				508.102
				(141.447)
				366.655

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

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

Segment	Residential	Commercial	Industrial	Thermo generation
Volume m³ 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				
operacionais (revenues)				
Financial				
Financial revenues				
Financial expenses				
Profit before tax				
Provision for income tax and social contribution				
Net income for the year				

Cogeneration	Automotive	Revenue from construction	Other revenue	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)
				(2.015)
				(159.960)
				25.920
				(185.880)
				315.729
				(79.590)
				236.139

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

29. REVENUES

Net sales for the year break down as follows:

	2012	2011
Gross sales of products and services	6,519,841	5,111,514
Sales taxes	(1,240,318)	(1,008,854
Net revenues	5,279,523	4,102,660

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:

	2012	2010
Personnel expenses	173,423	157,930
Materials/services expenses	253,019	229,814
Operational expenses	9,450	2,015
Amortizations	290,008	240,595
Expenses by type	725,900	630,354

31. FINANCIAL INCOME AND EXPENSES

	2012	2011
Financial expenses		
Interest charges on loans/financing/debentures	(177,907)	(156,786)
Commission payments/ bank charges	(23,690)	(16,127)
Capitalization of interest	22,646	25,830
Interest as per CVM Instruction 600 - post-employment benefit	(21,464)	(20,450)
Mark to market adjustment		(9,951)
Other	(2,776)	(4,932)
	(203,191)	(182,416)
Net monetary variations		
Borrowings	(730)	(1,357)
Monetary gains	42	49
Monetary losses	(5,613)	(2,10)
	(6,301)	(3,415)
Financial revenues		
Charges for customer arrears	16,588	11,143
Income from financial investments	12,226	11,825
Interest	641	2,363
Mark to market adjustment	15,077	
Other	1,310	540
	45,842	25,871
	(163,650)	(159,960
	(163.650)	(159.960)

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

32. EARNINGS PER SHARE

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

			2012			2011
	Preferred	**Common**	**Total**	**Preferred**	**Common**	**Total**
Net income for the year	85.373	281.282	366.655	54.983	181.156	236.139
Number of shares (thousands)	25.912	93.911	119.823	25.912	93.911	119.823
Earnings per Share - R$	3,29	2,99	3,06	2,12	1,93	1,97

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	
Risco operacional	100.000
Responsabilidade civil	159.000

34. COMMITMENTS

(a) Commitments for acquisition of regulatory assets and targets

Commitments for acquisition of intangible assets amounting to R$17,911 on December 31, 2012 (R$41,518 on December 31, 2011) 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$1,051,942 on December 31, 2012 (R$1,293,251 on December 31, 2011) 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.

ON DECEMBER 31, 2012 IN THOUSANDS OF BRAZILIAN REAIS

(b) Commitments to lease/ rent contracts

On December 31, 2012, we had 15 property rental/lease agreements for which expenses recognized during the year totaled R$6,196 (December 31, 2011 - R$6,341).

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:

	2012	2011
Gross lease obligations - minimum payments		
Less than 1 year	1.860	5.848
More than 1 year and less than 5 years	526	897
	2.386	**6.745**

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