

Annual report 2009

10 years of new management

COMGAS
Natural



Annual report **2009**

10 years of new management



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ABOUT THE REPORT

In accordance with the principles of transparency and accountability in disclosure, and in order to enhance our business and stakeholder relations, we are publishing the Comgás Sustainability Report for the fifth consecutive year. The report is based on indicators and international guidelines proposed by the Global Reporting Initiative (GRI), and the company believes that it complies with application level C.

The data in this publication reflect environmental and economic results for 2009 in all Comgás operations in its concession area in the state of São Paulo. Employees from the main internal units were involved in compiling and consolidating data for indicators. No significant changes were made in the mediation and presentation of information in relation to our previous documents.

The most relevant data for the audiences with which Comgás interacts were prioritized, using strict control methodology. Financial indicators comply with Brazilian accounting practices and were audited by Ernst & Young. Social and environmental indicators were compiled from internal surveys and metrics, and did not involve external audits.

Comgás aims to continuously improve its performance and accountability, and sees stakeholder participation as a crucial aspect of this process. We are open to any suggestions, criticisms or further clarifications in relation to this document, which may be forwarded through our relationship channel relatorioanual@comgas.com.br.

We hope you will enjoy reading this report.

MAIN EVENTS OF ONE DECADE

1999-2009

1999

April 14 – Comgás privatization sale held at the São Paulo Stock Exchange.

May 31 – São Paulo's state government and the new controlling shareholders (BG Group and Shell) sign a 30-year contract (through 2029) renewable for another 20 years.



LENGTH OF
PIPELINE NETWORK:

**2,500
kilometers**

TOTAL NUMBER
OF CUSTOMERS:

314,000

2000

In its first year under new management, Comgás prepares to reach targets posed by the concession agreement, such as expanding its distribution network, winning new customers, and renovating pipelines.



LENGTH OF
PIPELINE NETWORK:

**2,600
kilometers**

TOTAL NUMBER
OF CUSTOMERS:

329,000

2001

Comgás encourages industry to use natural gas as the most competitive and environmentally attractive source of energy.



LENGTH OF
PIPELINE NETWORK:

**2,900
kilometers**

meeting the target of adding 400 km eight years in advance.

TOTAL NUMBER
OF CUSTOMERS:

345,000

2002

Comgás makes significant advances in economic and financial performance and publishes its first social and environmental balance.



LENGTH OF
PIPELINE NETWORK:

**3,300
kilometers**

TOTAL NUMBER
OF CUSTOMERS:

378,000

2003

Comgás earns ISO 14001 environmental management certification.

LENGTH OF
PIPELINE NETWORK:

**3,600
kilometers**

TOTAL NUMBER
OF CUSTOMERS:

416,000

2004

For the 5th anniversary of its privatization, Comgás posts fine performance and carries out internal restructuring to brace itself for upcoming challenges.

LENGTH OF PIPELINE NETWORK:

3,900 kilometers

TOTAL NUMBER OF CUSTOMERS:

451,000

2005

Balance between demand and supply of gas is reached. Comgás create Comgás Apprentice Award in order to incentivate the best practices of the programm.

LENGTH OF PIPELINE NETWORK:

4,500 kilometers

TOTAL NUMBER OF CUSTOMERS:

497,000

2006

Comgás shifts its focus to have its network reach more home users and small businesses, with a faster pace of expansion in reaching the interior of the state by reaching the target of connecting 200,000 customers three years in advance.

LENGTH OF PIPELINE NETWORK:

4,900 kilometers

TOTAL NUMBER OF CUSTOMERS:

619,000

reach the target of connecting 200,000 customers three years in advance

2007

IComgás starts supplying the residential market in Piracicaba and Jundiaí.

LENGTH OF PIPELINE NETWORK:

5,200 kilometers

TOTAL NUMBER OF CUSTOMERS:

693,000

2008

The Gasometer complex in the Brás district is restored to house the São Paulo Metropolitan Region Operational Center (CORMSP). Comgás reaches its target of renewing 398 km of cast-iron pipeline seven months in advance.

LENGTH OF PIPELINE NETWORK:

5,700 kilometers

TOTAL NUMBER OF CUSTOMERS:

775,000

2009

Comgás breaks records by connecting 104,000 new customers to the mains in a year.

LENGTH OF PIPELINE NETWORK:

6,200 kilometers

TOTAL NUMBER OF CUSTOMERS:

879,000

INSTITUTIONAL



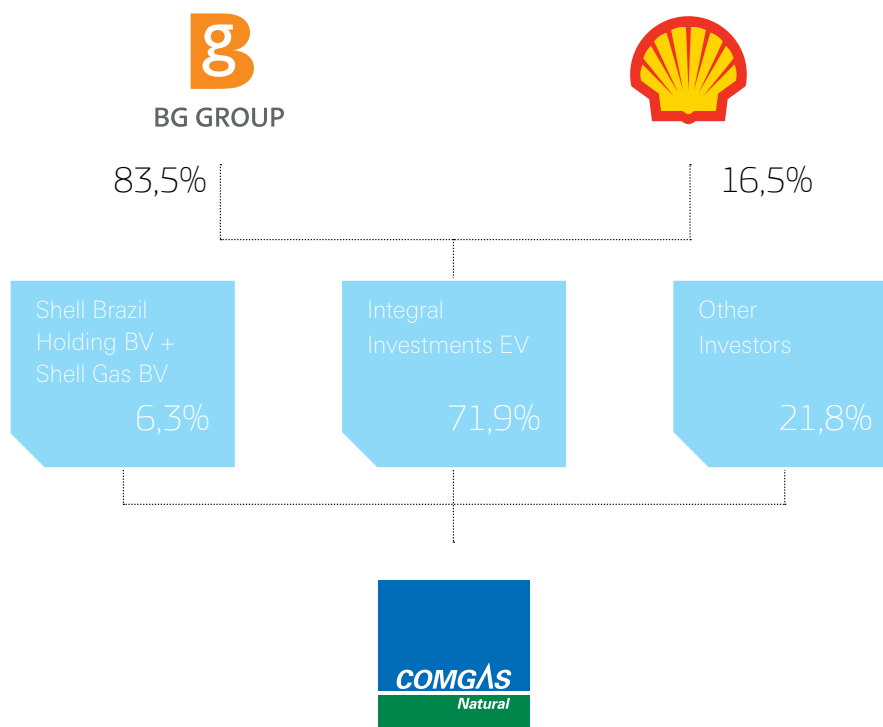
Comgás is the biggest distributor of piped gas in Brazil and operates in a concession area covering 177 municipalities in São Paulo metropolitan region, Campinas administrative region, Santos and the Paraíba Valley, that accounts for approximately a quarter of Brazil's Gross Domestic Product (GDP).

We serve more than 875,000 customers, of whom 869,138 are classed as residential, 973 industrial, 9,265 commercial, 373 automotive (filling stations supplying natural gas, or NGV, 23 cogeneration and two thermoelectric plants. We signed a piped-gas distribution contract with the State of São Paulo's Sanitation and Energy Regulatory Agency (ARSESP, in the Portuguese acronym) in May 1999 to last through 2029, with the possibility of prorogation for another 20 years.

All the targets set in conjunction with the State Government of São Paulo through ARSESP have been successfully reached ahead of time. In 2009, Comgás modernized 47.9 kilometers of its pipeline network, making for a total of over 450 km renovated since privatization. The contract with ARSESP stipulated 400 kilometers renovated in the first ten years of the concession, but this target was surpassed in 2008. In the recent period, we have connected 104,000 new customers - making for a total of 585,000 since the new controlling shareholders took over in May 1999. This is almost three times the target set in the concession agreement - and we have invested over R\$ 3 billion in ten years.

As a publicly traded company, Comgás shares have been listed on the São Paulo Stock Exchange (BM&F Bovespa) since 1997 and since 1999, when privatization occurred, its main shareholders have been two major

COMGÁS' CURRENT STRUCTURE



multinationals in the energy sector: BG Group and Shell. Its corporate structure is composed as follows: Integral Investments with 71.9% of share capital, and Shell with 6.3%. Integral Investments is controlled by BG São Paulo Investments BV (BG Group) and Shell Gas B.V. (Shell Group) with shares of 83.5% and 16.5%, respectively. During the year, no changes were made in the control of Comgás.



MISSION, VISION AND VALUES

MISSION

Maintaining Comgás as sponsor of sustained growth, fulfilling investors' expectations in relation to earnings, adopting best management practices and complying with regulatory and legal obligations.

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

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

VISION

We shall make Comgás the best and largest natural gas distributor in Latin America, providing service efficiently for everything and everyone, being the market reference, and generating value for our customers, shareholders and society as a whole.

VALUES

- Ethics
- Safety
- Social responsibility
- Customer orientation
- Teamwork
- Innovation
- Commitment to results
- Empowerment
- Respect for people

KEY OPERATING AND FINANCIAL INDICATORS

Million of m ³	2007	2008	2009
Volume	5,069	5,253	4,261
Industrial	3,960	3,855	3,314
Residential	121	136	144
Commercial	99	100	95
Vehicle	582	525	369
Thermoelectric	82	333	21
Cogeneration	226	304	318
R\$ million	2007	2008	2009
Shareholder equity	1,076	1,137	1,279
Total Assets	3,136	4,013	3,829
Investments	397	403	406
Gross revenues	4,056	5,019	4,943
Net revenue	3,212	3,989	3,884
Gross income	1,214	1,366	1,147
Operating profit (before financial income)	816	900	668
Ebitda	925	1,035	838
Net income	443	514	368
Gross debt	1,202	1,584	1,650
Net debt	1,168	1,545	1,456
	2007	2008	2009
Number of employees	859	952	948
Current liquidity	0.72	0.78	0.68
Return on equity (%)	41.15	45.21	28.76
Net debt/Ebitda (%)	1.26	1.49	1.74
Gross Margin (%)	37.79	34.25	29.53
Ebitda Margin (%)	28.80	25.95	21.58
Net margin	13.79	12.89	9.47
Net income per share (R\$)	3.70	4.29	3.07
Dividend proposal (R\$ million)	13.38	128.84	28.1
Total Shareholder Remuneration (US\$ million)	335	275.4	268.4
Dividends paid on year's earnings (US\$ million)	95.10	–	–
Dividends paid on prior year's earnings (US\$ million)	238.9	275.4	199.9
IOC - Interest on net own capital paid on year's earnings (US\$ million)	–	–	68.5

THE GAS MARKET IN BRAZIL

As a source of energy in the industrial, commercial, residential, automotive, thermoelectric and cogeneration segments, natural gas is an environmentally friendly alternative since it is less pollutant than other fossil fuels, and offers more safety for users. Being lighter than air, natural gas dissipates easily and rises into the atmosphere if there is a leakage.

which was passed in March 2009 and set forth the legal basis for transport, storage, processing and marketing this fuel in Brazil. This legal instrument, which will also depend on regulations, sets forth a legal framework for the sector by defining a clear and stable regulatory framework that favors further investment.

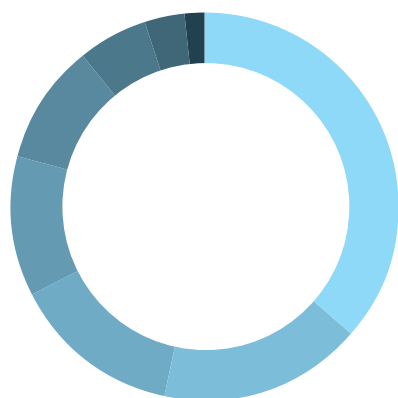
In 2009, Comgás underwent a second rate review conducted according to the same calculation methodology used in 2004. The process encompassed two public hearings to present and discuss the matter.

These benefits, disseminated to the public by both utility concessions such as Comgás, and by organizations such as the Brazilian Association of Gas Distributors (Abegás, Portuguese acronym), have prompted discussion related to the use of natural gas. One of them took place in the ambit of Law 11,909, known as the Gas Law,

INFRASTRUCTURE AND CONSUMPTION IN BRAZIL

According to data from Abegás, Brazil in 2009 had 18,200 kilometers of natural gas distribution network serving some 1.7 million customers - 200,000 more than the previous year. Among the 23 natural gas distribution companies

BRAZIL - ENERGY SOURCES*



36,6%	Petroleum and oil products
17%	Sugarcane derivatives
14%	Hydraulic and electric
11,6%	Lumber and charcoal
10,3%	Natural gas
5,8%	Coal and coke
3,4%	Others renewable
1,5%	Uranium (U ₃ O ₈)

*Source: National Energy Balance (BEN) 2009

operating in Brazil, Comgás alone connected more than 100,000 new residential customers to its network in the year. Average daily volume of natural gas consumed in the country was 36.7 million m³/day, which was 26% less than in 2008. The fall was due to a slowdown in industrial output and smaller-scale use by thermal power plants in light of the satisfactory levels of reservoirs feeding hydroelectric plants. In the year, the industrial sector continued to be the leading consumer of natural gas, with average daily demand of 23.5 million m³ - down 15.30% in relation to the previous period. Automotive consumption was 5.7 million m³/day, a reduction of 12.98% compared to 2008. Consumption by the residential and cogeneration sectors showed growth of 2.3% and 7.59% respectively on the previous period.

ENERGY MATRIX

According to the National Energy Balance (BEN, Portuguese acronym) for 2009, published by the Ministry of Mines and Energy, the share of natural gas in Brazil's energy matrix rose from 9.3% in 2007 to 10.3% in 2008 (latest data available as of January 2010).

TARIFF REVISION

Under the rules set by the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP), the three natural gas distribution companies operating in the state of São Paulo - Comgás, Gás Brasileiro and Gás Natural São Paulo Sul - undertake tariff reviews every five years. In the case of Comgás, the second tariff revision was in May 2009. Tariffs cover the cost of natural gas, its transportation, the company's margin, and taxes. The tariff adjustments that came into effect on the last day of that month posed reductions for all market segments.

Tariffs for Comgás' residential segment were cut 62% for 1m³ consumers, 43% for users up to 2m³, and 20% for those consuming up to 5m³. In the industrial segment, smaller-scale users consuming 10m³ per month also benefited most with reductions of 28.59%. Large consumers, from 500 to 10 million m³ per month, enjoyed reductions of 17.9% and 18.3%, respectively. The automotive segment tariff was reduced by 16.6% - the percentage applied to the Comgás price charged at filling stations. Prices at outlets selling gas to consumers are not controlled (see page 84).

The tariff review process, using the same methodology for calculations as in 2004, was carried out professionally and transparently including two public hearings at which the issues were presented and discussed. There was also discussion and the general decisions on market opening in 2011.

distributor tariffs in the state of São Paulo undergo annual adjustment, and ARSESP believes they may be subject to alterations in interim periods too. In December 2009, Comgás tariffs were reviewed and reduced by up to 6.43%. The reductions ranged from 3.87% to 5.98% for industry, and 1.68% to 3.85% for the commercial sector. In

In December 2009, Comgás tariffs were reviewed and reduced by up to 6.43%. The reductions ranged from 3.87% to 5.98% for industry, and 1.68% to 3.85% for the commercial sector.

The outcome of the tariff revision prompted protests from certain sectors of industry, which asked the regulator to reopen the tariff review process. ARSESP issued an official response denying the allegations. Under the concession agreements, in addition to the five-yearly review, gas

the automotive sector, the price was cut by 6.43%. For thermoelectric customers, tariffs were cut 5.22%. For the portfolio of cogeneration consumer, there was a reduction of 4.59%. In this extraordinary adjustment, there were no tariff alterations for residential customers.

COMGÁS CONTRACTS FOR THE SUPPLY OF NATURAL GAS

To ensure the supply of natural gas to all its customers, Comgás has the following contracts:

- » Firm Contract to Buy Natural Gas, of Bolivian origin, volume of 8.7 million m³ a day, signed with Petrobrás in 1999, effective through 2019. In this kind of contract, the natural gas supply cannot be halted.
- » Firm Contract - Purchase and Sale of Natural Gas - with Petrobrás, started in January 2008, which is valid until December 2012 and has a daily contracted quantity of 3.5 million m³. In this kind of contract, the supply of natural gas cannot be halted.
- » Flexible and Firm Contract - Purchase and Sale of Natural Gas with Petrobrás, inception of which was in January 2008, valid through December 2012 for 1 million m³/day. In this type of agreement, the supply of natural gas may be interrupted at the discretion of Petrobrás, but without the risk of non-availability of energy for Comgás customers. In the case of limiting the volume of natural gas supplied, Comgás immediately notifies a restricted group of high-volume customers that have dual-fuel capability, to arrange for their usual source of energy (natural gas) to be switched to fuel oil, and the costs arising from the switch are borne by Petrobrás.
- » Interruptible Contract - Purchase and Sale of Natural Gas, with Petrobrás, with initial quantity contracted zero, reaching up to 1.5 million m³/day, incepted in January 2008, and expiring in December 2010. This type of supply is for customers that have dual fuel consumption capability. Financial impacts resulting from halting supplies and switching energy input are borne by customers signing this type of agreement.

Read more about Comgás' involvement in Petrobrás in bidding procedures in the "Industrial Segments" item on page 81.

The Company retains the major gas consumer market in the country, which helped drive the Brazil – Bolivia gas pipeline. The increased offer of the product enabled Comgás to develop new markets. The share of natural gas in the energy matrix increased from **4.1%** in 1999 to **10.3%** in 2008, according to BEN (local acronym for Brazilian Energy Balance) statistics, published by the Brazilian Mines and Energy Ministry



A close-up photograph of a young child with dark hair, smiling broadly. The child's right hand is held up, palm facing the camera, with blue paint applied to the entire hand and fingers. The background is a soft-focus outdoor scene with green foliage.

Comgás plays
an **extremely
important role** in
the development of
the **natural gas
market in Brazil.**



Our growth strategy has a solid basis, including safety as our most important value - on which planning for all activities is based.

MESSAGE FROM THE BOARD OF DIRECTORS

Like all Comgás shareholders, the members of the board of directors stand out for their conduct of business in accordance with best practices in management and corporate governance. In this respect, we enhanced the company's structure in 2009 by distinguishing the roles of CEO and chairman of the board of directors. Therefore, we continue to add to the body's independence when making strategic decisions for Comgás and ensure the transparency of decision making for investors. Moreover, as officers of a public utility concession holder, we are committed to developing the communities with which we interact - for which purpose our business of distributing piped natural gas is essential.

As a result of this approach to managing business, major advances were made in the course of the year. Our regionalization strategy for reaching more residential customers was shown to be correct, and even in a year that began with turbulence on the international economic scenario, Comgás was able to break records in terms of connecting new residential consumers to natural gas, maintaining the same level of investment as in

previous years, which shows the long-term vision of the investors. Through hard work and careful steering of our efforts, we were able to align our sales and relationship initiatives, and constantly offer solutions tailored to regional particularities in the Comgás concession area, which produces about one quarter of Brazil's gross domestic product (GDP).

Our growth strategy has a solid basis, including safety as our most important value - on which planning for all activities is based. Respect for and compliance with the regulatory framework also govern our actions. Since the start of the concession in 1999, all targets agreed with the Government of the State of São Paulo, through the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP) have not only been met on schedule, but they were also surpassed in many cases.

In light of this history of achievements we are celebrating the first decade of the concession. Through the solid structure built on hard work and dedication, we reaffirm our commitment to accomplish much more.

NELSON SILVA

Chairman of the board of directors

A middle-aged man with light brown hair and a beard is smiling at the camera. He is wearing a dark grey suit jacket, a white dress shirt, and a red and blue patterned tie. He is sitting in a chair, and his hands are clasped in front of him. The background is a large window looking out onto a city skyline with many tall buildings.

“ We have shared all of our achievements with our collaborators, clients, shareholders and other partners whom we have thanked and reiterated our confidence in continued investment and to create value for the community.

MESSAGE FROM THE PRESIDENT

For Comgás, 2009 was a year of challenges, but there have been important achievements too. It is now ten years since privatization and we have made several advances that fill us with pride. We have tripled the volume of gas distributed to its current 4.3 billion m³/year; also tripled the number of cities served to 67; invested more than R\$ 3 billion primarily to expand the natural gas pipeline system, and we have added more than 3,8 kilometers to our distribution network; and more than doubled the number of customers to today's 870,000 or more.

We believe that this development is due to having the right growth strategy, taking a long-term approach to ensure that we continue adding value for all our stakeholders through 2029 - the estimated last year of the concession contract for distribution of piped natural gas in the Comgás area (São Paulo metropolitan region, Campinas administrative region, the Santos area and the Paraíba Valley).

It was this vision, with responsibility and hard work, which has enabled us to cope with the difficult economical scenario experienced by companies all over the world due to the international financial crisis that impacted the economy. In our own case, the effects of this global downturn were potentiated by a 10% to 62% fall in our tariffs after May's tariff revision, which State of São Paulo Sanitation and Energy Regulatory Agency (Artesp) conducted with transparency, professionalism and

respect for the regulatory framework. Therefore, our margins were reduced by 9.8% and our net income by 28.4%, to end the year at R\$ 367.9 million.

However, given confidence in Brazil and its ability to tackle the crisis and emerge strengthened, our investment has remained at virtually the same level as last year - R\$ 406 million. Moreover, we made caution our watchword and took a series of measures to control costs while maintaining quality of service and employment levels - in line with the government's confidence that the crisis would be overcome successfully.

As a focus of our work over the past ten years, safety was one of the values prioritized in 2009. To strengthen this value and ensure the integrity of our 4,000 employees and outsourcers, we invested in improving the Health, Safety and Environment management system by involving the entire senior management of Comgás to ensure the cascade of information and especially the Comgás culture of obstinate dedication to the issue of safety. Initiatives included continuing the "Leading with Safety" and "Behavior-Based Safety" programs. The slogan "Do it safely or not at all" is still paramount when developing any work to be done at Comgás, which moves us forward toward our zero-injuries target.

We also continue to invest in improving quality of life for communities with which we interact, especially through the Comgás Apprentice Program

(CAP) and the Comgás Sociocultural Sponsorship Fund. The former was developed nine years ago in partnership with the NGO City School Learner (Cidade Escola Aprendiz), and more than 2,900 young people have undergone training to help them develop and put in practice social projects to extend the concept of citizenship for their local communities. In 2009, the 120 adolescents in the 15th class attended a series of workshops and developed 25 projects in the fields of the environment, culture, communication, health, sport, citizenship and education. The Comgás Sociocultural Sponsorship Fund was in its third round and 210 projects were submitted. In the Fund's second round, we selected eight projects in 21 cities in the Comgás concession area, and they were given R\$ 1.5 million.

We believe that the outcome of all our efforts to prepare the company to cope with the effects of the crisis means we have the credentials required to honor our commitment of winning

an additional 400,000 customers by May 2014, which we assumed with Arsesp at the most recent tariff review. Our main focus for this target is the residential market - despite the adverse scenario in 2009, this segment broke the barrier of 100,000 new customers added in a year, which is a record for the company.

The quality of our services is also covered by this commitment and is reflected in surveys of our customer satisfaction levels reaching 86% in 2009, despite some negative effects from the new billing system adopted in the context of migration and adaptation of all company units to the SAP platform - which is now an ally of the advances we have planned for the next years.

We are sharing all the achievements of the last ten years, as well as our success in coping with challenges posed for us in 2009, with our employees, customers, shareholders and stakeholders, whom we thank and reiterate our confidence to continue investing and adding value for society.

LUIS DOMENECH
Chief Executive Officer

Safety is one of
the **main values**
of Comgás.

The Company has won worldwide
**recognition for its safety
excellence.** We are concerned not
only with our workers to prevent
injury, but with the entire community
surrounding the areas in which
our piped natural gas distribution
network is located as well. Our motto
is **“Do it Safely or Don’t Do it.”**





CORPORATE

go over hance

The Comgás corporate governance model is based on transparency and ethics in the pursuit of sustainable and lasting relationships with all *stakeholders*.

Although not subject to Sarbanes-Oxley regulations, Comgás has adopted SOX standards for documentation and storage of evidence, controls and processes posed by as a means of further enhancing its financial management and accounting credibility, thus ensuring security for its information. Furthermore, our internal control structure is continually

business, based on corporate principles guiding commitments to society, business, health, environment and security and professionals. For each of the above, there is a set of principles upheld by Comgás and the type of behavior that must be adopted. In 2009, 94 employees went through training involving commitments related to the Code of Conduct.

The Comgás Corporate Governance Manual regulates the conduct of all our professional staff. The document was implemented to disseminate ethical values and social accountability which serve as the basis of the company's operations.

reviewed and improved. Policies and procedures are widely disseminated among all employees. Our Corporate Governance Manual includes a Code of Conduct governing the behavior of all professionals. On being given the document when they join the company, they promise to uphold and disseminate the ethical values of Comgás. Available on the Internet for easy access to communities, investors, shareholders, customers, suppliers, creditors and regulators, the Code of Conduct sets forth the manner in which the organization conducts its

RATING MOODY'S

For the first time Moody's has rated Comgás a Baa3 issuer in local currency (global scale) and an Aa1.br issuer (national scale). The Baa3 issuer rating reflects Comgás's solid credit metrics for the rating category, the relatively predictable and stable nature of its cash flows based on a long-term concession agreement, its positive history of recovering costs, its experienced management, and the solid position of BG, its British controlling shareholder.

GOVERNANCE STRUCTURE

As a publicly traded corporation, Comgás' governance is structured by the shareholder annual general meeting, which charts the course of its business. Shareholders meet at least once a year, pursuant to legal requirements, to discuss corporate matters of interest to the organization.

The board of directors must define strategies and decide the overall direction of the business, and the board implements these guidelines in pursuit of the best results. Comgás has a Fiscal Council (Conselho Fiscal) and an Audit Committee to support the board and an internal structure of Approval Committees and Discussion Commissions.

BOARD OF DIRECTORS

Composed of eight full members, of whom six represent the controlling shareholders, aims to establish the general business and discuss strategic issues, always guided by the Mission Statement of Principles and the Values of Comgás. On December 16, 2009, to improve good governance practices, the Board of Directors approved the disengagement of the functions of chairman and CEO of Comgás. On the Board of Directors of Comgás sit the following officers:

Nelson Luiz Costa Silva *President*

Senior Vice-President - BG Brasil and member of the Regional Executive Committee of BG Americas & Global LNG. He has a degree in Marine Engineering from Universidade de São Paulo and postgraduate degree from the Management Specialization Course for Graduates at Fundação Getúlio Vargas. Formerly head of BHP Billiton's aluminum business unit, he also held strategic positions with América Latina Logística (ALL).

Luis Augusto Domenech *Vice-President*

Holds a degree in Business Administration from Universidad de Buenos Aires and postgraduate degree from Argentina's Instituto de Altos Estudios Empresariales. He took the Executive Program course at the University of Michigan, School of Management, in the United States. He was president of Metrogas S.A., Argentina's largest natural gas distributor, also owned by BG Group. In April 2004, he became president of Comgás.

Antonio G. Paes de Assumpção

Board Member

Degree in Mechanical Engineering from Universidade Federal Fluminense and president of Shell Southern Cone Gas & Power from 2003 to 2009. More than 20 years experience in mining, metallurgy, and oil and gas, having filled several positions in Brazil and abroad.

Pedro de Andrade Faria

Board Member

Graduate in Business Administration from Fundação Getúlio Vargas (FGV), and MBA from the University of Chicago. Partner at Tarpon, where he is on the Investment committee and the board of directors. He is on the boards of BrasilAgro, Direcional Engenharia, Omega, Cremer and Arezzo.

Roberto Schloesser Junior

Board Member

Business Administration degree from Fundação Getúlio Vargas (FGV), postgraduate degree in Finance from Ibmecc and ten years of experience in the energy sector. Joined BG in 2004 and currently manager of Business Development. Worked with Enron - South America for five years.

Sidney Batista da Rocha

Board Member

Telecommunications specialist, acts as general secretary of the industry association Sindgasista. Member of the Ministry of Labor tripartite group drafting NR10, coordinator of the NR33 creation group and municipal board member of the Occupational Health reference center. With Comgás for 15 years.

Sonia Maria Brotas Monteiro Lima

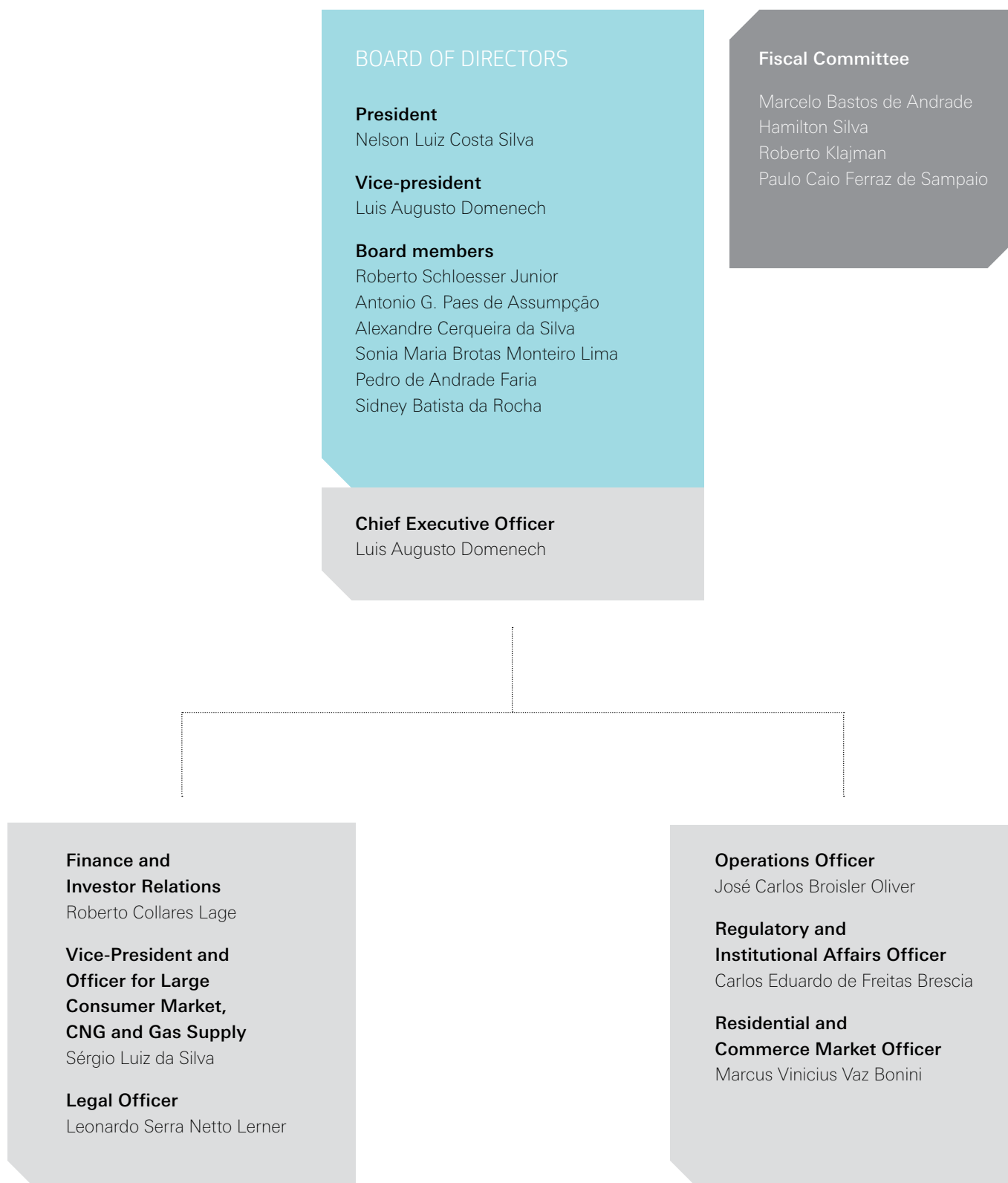
Board Member

Degree in Biology from Universidade Santa Ursula, master's degree in Artificial Lake Management from Universidade de São Paulo and Safety for Exploration and Production Facilities from Universidade Federal do Rio de Janeiro. Health and Safety manager for BG Brasil since July 2009.

Alexandre Cerqueira da Silva

Board Member

Mechanical Engineering degree from PUC-RJ, MA in Business Administration from COPPEAD/UFRJ. Joined Shell Brasil in 1990. Formerly a consultant with Shell Oil Products Latin America. Corporate Governance manager for Shell Southern Cone Gas & Power where he also acted as manager of new business development.



EXECUTIVE BOARD

Luis Augusto Domenech

Chief Executive Officer (see page 33)

Carlos Eduardo de Freitas Brescia

Regulatory and Institutional Affairs Officer

Degrees in Electrical Engineering and Business Administration from Universidade Mackenzie (São Paulo), and master's in Energy from Universidade de São Paulo (USP). Joined Comgás in 1999, formerly director of Companhia Energetica de São Paulo (CESP).

José Carlos Broisler Oliver

Operations Officer

Degree in Mechanical Engineering from FEI and Law from USP. Postgraduate degree from Universidade Mackenzie and MBA from BG International Management Program. Professor at Instituto Federal de Educação, Ciência e Tecnologia de São Paulo. Full member of Instituto de Engenharia. Joined Comgás in 1999.

Leonardo Serra Netto Lerner

Legal Officer

Law degree from Universidade de São Paulo (USP). Joined Comgás in 2000. Formerly chief legal officer with Asea Brown Boveri (ABB) and coordinator of the Legal Council of ABDIB.

Marcus Vinicius Vaz Bonini

Residential and Commerce Market Officer

Electrical Engineering degree from UMC, MBA in Energy from Universidade de São Paulo (USP), and certification in Marketing from the Chartered Management Institute (United Kingdom). Acted as consultant for BG Group, participating in the takeover of Comgás. With Comgás since 1999. Took over as officer in July 2007.

Roberto Collares Lage

Finance and Investor Relations

Degree in Economics from Faculdade de Ciências Políticas e Econômicas Candido Mendes (Rio de Janeiro), and Business Administration specialization from INSEAD (France). His career has been focused on finance and administration, and he was with Shell Brasil for 13 years.

Sérgio Luiz da Silva

Vice-President and Officer for Large Consumer Market, CNG and Gas Supply

Degree in Mechanical and Industrial Engineering from Centro Federal de Educação Tecnológica de Minas Gerais and MBA in Marketing from Fundação Dom Cabral. Joined the Shell Group in 1989 and has held several executive positions in Brazil and other countries.



The Board of Directors comprises the Chief Executive Officer and six executive directors who hold office for a term of two years. Their main assignment is to strive to achieve improved economic, financial, operations and environmental and social results, based on the implementation of appropriate strategies, as defined by the Executive Board.

FISCAL COMMITTEE

The committee oversees management of the business, issues opinions on certain matters and reports to the company's shareholders - in all cases for the purpose of protecting its assets and profitability - and ensures that the objectives specified in the Articles of Association are met in accordance with the principles of ethics, fairness and transparency. It consists of five members and the same number of alternates, elected at a General and/or Extraordinary Meeting. The following officers are members of the fiscal committee:

Hamilton Silva

Bachelor in Economics and Accounting, registered with the Regional Accounting Council of São Paulo, holds an Executive MBA from Business School São Paulo. Worked for AgipLiquigás do Brasil Ltda., PricewaterhouseCoopers and Cargill Agrícola S.A. Currently Finance manager of BG do Brasil Ltda.

Marcelo Bastos de Andrade

Bachelor's degree in Accounting from Faculdade Cândido Mendes, postgraduate degree in Finance/ Capital Markets from PUC-RJ and MBA in Energy Economics and Management from COPPEAD - UFRJ. Joined BG E & P do Brasil accounting and external reporting in 2004. Also worked for Telemar.

Paulo Caio Ferraz de Sampaio

Degree in Civil Engineering from Universidade Mackenzie (School of Engineering) and took Property Development course at the American Institute of Real Estate Appraisal. Currently a member of the fiscal council of Iguaçu de Café Solúvel, managing partner of Guepardo Desenvolvimento Urbano Ltda. and chief officer of Cobrasco S.A.

Roberto Klajman

Degree in Mechanical and Production Engineering and postgraduate degree in Marketing. Finance manager with Shell Southern Cone Gas & Power since 2007. Formerly with Billiton Metals; Cadam, part of the Caemi group; as Finance manager of the downstream unit of Shell Brasil and of Shell International in London; and as Global Portfolio Manager of Shell Marine in Rio de Janeiro.



ADVICE AND SUPPORT

Audit Committee

Body providing support for the board of directors in fulfilling its responsibilities in relation to analysis of the process of submitting financial statements (including, but not limited to the internal control structures, procedures for drafting the company's financial statements and monitoring the accuracy and adequacy of these statements); the manner in which Comgás management ensures and monitors the adequacy of internal controls for finance, operations, compliance and risk management procedures; internal audits in terms of their independence and performance; and the selection, termination, and payment of external auditors, and impartiality of their work.

The committee consists of representatives of the BG Group and Shell and the president of Comgás (non-voting member), who normally meet three times a year. Since 2008, Comgás

has had an Internal Auditor Code of Ethics document supplementing the Code of Conduct for all employees.

Approval Committees

Comgás has 13 groups responsible for making decisions on specific matters, covering several links in the value chain and corresponding units. Six of these committees are classed as "first instance" since they involve the board and president: Crisis Management, Central Committee for Health, Safety and Environment, Ethics, Human Resources, Officers (RD) and Asset Integrity. Committees have an average of eight members.

Discussion Commissions

Groups responsible for analyzing and discussing certain matters and forwarding recommendations to a Committee. The commissions consist of professionals working in various Comgás units.

INVESTOR RELATIONS

The Investor Relations site is one of the main channels for disclosing Comgás information to the market. Through the website www.comgas.com.br/investors, the company stakeholders have access to detailed financial information, quarterly and annual reports, and disclosure of material facts to the market.

OPEN CHANNEL

Comgás maintains an open channel for communication - ensuring security, guaranteed anonymity and non-retaliation - for claims, complaints, suggestions or other issues raised by clients, employees or communities, including cases related to human rights abuses. In order to ensure the required transparency and

To respond to queries and disseminate relevant information to analysts and market professionals, in addition to ad hoc conferences held each half year on the results of the period.

The Investor Relations unit has an exclusive channel of communication by email (investidores@comgas.com.br) for any interested parties to contact Comgás.


To respond to queries and disseminate relevant information to analysts and market professionals, in addition to ad hoc conferences held each half year on the results of the period, the unit holds several meetings with those involved.

confidentiality, the open channel is operated by an outside company and is fully independent of Comgás. All incoming calls are directed to a Fraud Officer responsible for verifying information received and forwarding it as appropriate. The open channel may be contacted by phone or fax on 0800 702 40 80 from 8 am to 5 pm Monday to Saturday; or by e-mail canalaberto@comgas.com.br.

INFORMATION SECURITY

Security for information traffic in Comgás is seen as critical to the success and continuity of Comgás activities. Therefore, Comgás' information security policy is designed to protect the company against any damage. The basic guidelines are:

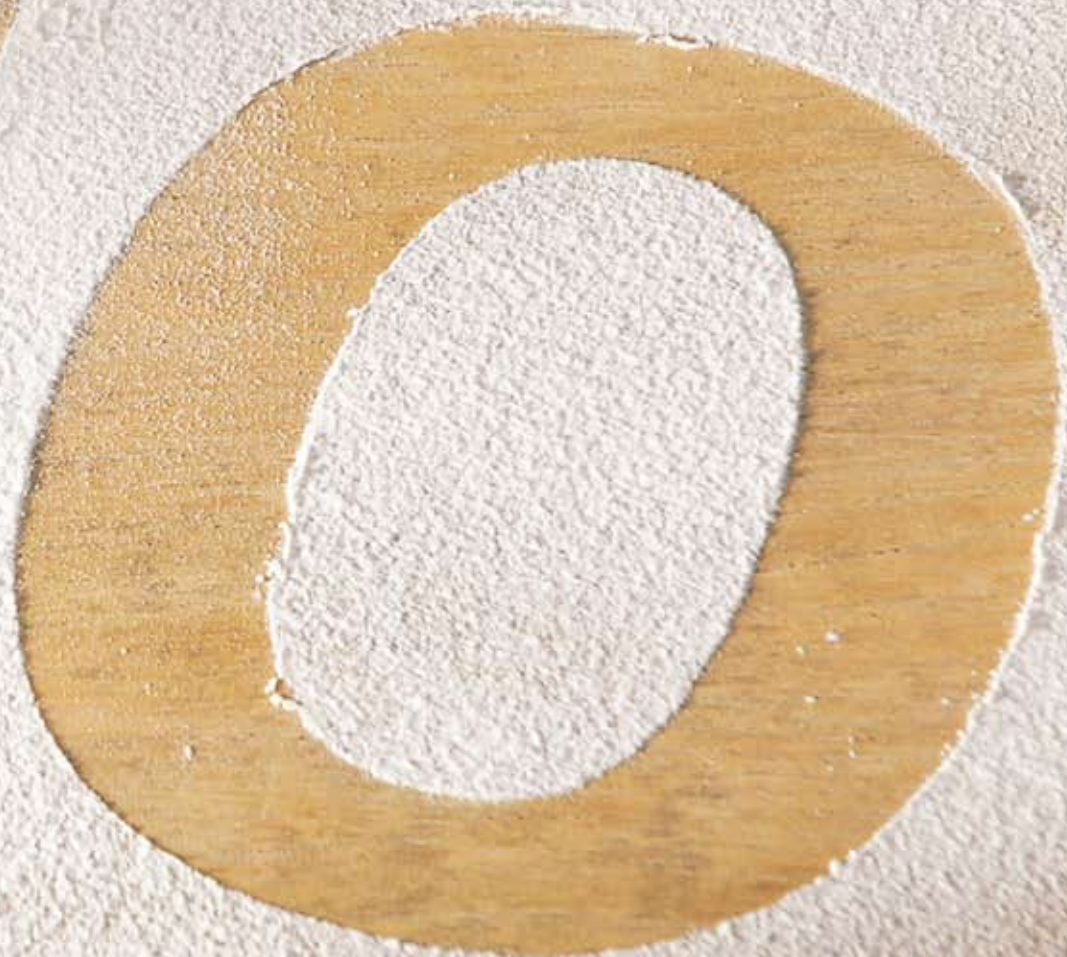
- » Information security as a shared responsibility;
- » Ethical treatment of information of Comgás, customers, suppliers and others;
- » Definition and implementation of specific procedures to ensure information confidentiality, availability and integrity;
- » Protection of information against threats in order to ensure business continuity and minimize damage;
- » Continuous improvement of processes and procedures through management of information security;
- » Constant training and acquisition of technical skills for people dealing with information;
- » Systematic pursuit of best safety practices based on current standards and legislation;
- » Identification and regular assessment of threats and risks.
- » Evaluation of safety in all aspects of operations and business planning;
- » Introduction and maintenance of active programs to develop safety awareness and responsibility among employees and contractors;
- » Information is classified - public, private or confidential - depending in its sensitivity and criticality;
- » Protection for the Company against risks and uncertainties related to misuse of information, unauthorized use, leakage of confidential information, damages to third parties, electronic crime and fraud and invasion of privacy.



Any move on the part of Comgás toward new municipalities requires installation of trunk networks that can support the **entire distribution infrastructure.**

In the city of São Paulo, for example, the **backbone** of the supply structure is **RETAP**, the Tubular High Pressure Network, which surrounds the metropolitan region and carries supplies to entire market in the type and quantity needed to supply customers.

The Company
has invested over
R\$ 3 million in
infrastructure of
the concession area.



STRATEGY AND

tools

Making investments, expanding the piped natural gas distribution network and the results achieved in 2009 in the residential market, as well as the record connection of 104,000 new customers, confirmed the correctness of Comgás' strategic alignment.

The strategy was maintained and growth in the number of residential customers was possible even in a difficult year, with enormous challenges from the international economic climate.

The strategy for growing by winning new customers was supported by the Operational Excellence and Business Excellence projects, which provided the basis of support for the Integrated Expansion project, which was reformulated in the period with the definition of new initiatives that will sustain initiatives in 2010. Comgás' strategy also involves commitment with the regulatory agency to universalize natural gas with attractive offers targeting the different classes of consumers served.

OPERATIONAL EXCELLENCE PROJECT

Launched July 2007, the project reviews all internal processes and adapts them for growth using diagnostics from the market and business partners. Its focus was to develop new materials and staff training for future demand.

BUSINESS EXCELLENCE PROJECT

The Marketing unit conducted market surveys and analysis with potential clients in order to understand their needs and measure levels of satisfaction with Comgás products and services. The project also involved training sales agents and formatting a remuneration model for partner firms, as well as new marketing strategies.

INTEGRATED EXPANSION PROJECT

Comgás introduced two important initiatives in 2009 in order to gain new customers in the residential segment (householders). Through the Retail Expansion Superintendence set up in 2008, Sales and Operations unit staff was centralized in a single structure in order to regionalize activities and obtain accurate information and data on each locality's consumption patterns and needs. Based on this analysis we were able to structure action plans to offer future piped-gas consumers specific value propositions developed on demand for each segment to cater for regional particularities. We also ran several communication campaigns showing the benefits of using natural gas, such as more convenience, safety and environmental gains.

The Comgás strategy includes a commitment made with the regulatory agency and is aimed at standardizing natural gas supply based on attractive offers to the different consumer classes.

EVOLUTION II PROJECT

On the conclusion of the tariff review process in May 2009, Comgás submitted a new business plan to the regulatory agency (ARSESP), covering the five-year period 2010-2014 and confirming its vision of the strategic direction of sustainable growth with significant investment to expand the residential market.

In light of the challenges posed by this business plan, the board of Comgás decided to develop its Evolution II project for diagnosis, analysis and proposals relating to the Company's key processes. On this basis, it will determine the conditions required to boost business efficiency by optimization and synergy in its processes, systems and organizational structure in order to constantly improve the company's strategy.

The project's development was marked by an unprecedented experience for Comgás. Design work and implementation were carried out exclusively by our own team and the main processes and activities involved focused on the supply chain, covering planning, execution and performance environments. Comgás thus boosted optimization and synergy across planning processes (from strategic to operational) by reorganizing business and operational units, with regionalized business in the concession area, and with development and improvement in management of strategic initiatives and expansion projects, and support and marketing programs.



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Respect to people and communities in which the Company and its operations **are engaged.**

The Comgás Apprentice Program in place since 2000 has already “graduated” over **2,900 young people** in the development and execution of social projects in communities. The Company also supports the Comgás Social and Cultural Sponsorship Fund, which allocates **R\$ 2.5 million** toward **13** social and cultural projects implemented in the cities in which the Company operates.

RISK

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Ongoing risk assessment throughout the gas pipeline life cycle is required to ensure safe operations for Comgás distribution systems.

The company's corporate risk management arrangements have been in place since 1999 and Comgás today is a benchmarker in the context of public utility concessions. All routine activities are planned and implemented to comply with legislation, ARSESP regulations, shareholder recommendations, and the gas industry's current technical standards and best practices.

Our corporate governance structure also includes a committee to manage corporate risks on two levels: strategic (business risk register) and operational (business control review), in order to detect risk preventively. The risk management committee consists of representatives

Comgás has a structured risk management process in place since 1999, which calls for improved and up-to-date practices used in the gas industry and in relation to the public utilities concessionaires sector.

Pursuing convenience and safety in the risk management process, Comgás implemented online risk management in 2005, which enables managers to access the corporate intranet for interaction. As a result, Comgás is outstanding in this respect and its market position has been consolidated on adopting international best practices.

from each department and holds monthly meetings to review risks and formulate action plans. The committee is able to prioritize actions to mitigate and rationalize the resources required, and to add value to internal and external processes using the following tools:

ASSET INTEGRITY MANAGEMENT POLICY

As the cornerstone of the Asset Integrity Management System, the policy supports company strategies and targets. These mechanisms ensure efficiency and safety for customers' supplies of natural gas on the basis of the principles of the business and the legal and regulatory requirements. The policy is defined by eight strategies for the system's operating activities relating to management of risk, data, change, knowledge, training and capacity building, damage prevention, incident response and operational continuity, and continuous improvement.

ASSET INTEGRITY SYSTEM

To manage pipeline risk, Comgás uses software leveraging databases containing design criteria and construction details in addition to historical records for the integrity of high pressure pipelines. Integrated overviews of each stretch of pipeline and threat assessments enable it to control and take preventive action throughout the life cycle of the facilities.

QUANTITATIVE RISK ANALYSIS

Software introduced in September 2009 is based on methodology for managing activities. Thus financial feasibility studies, rerouting, pipeline renovation and management activities posing danger can preview metrics in accordance with the risks posed.

GEOGRAPHIC INFORMATION SYSTEM – GIS

This system, aka Geogas, is available to all employees for the localizations and access to data on networks, branches and facilities (for more details see p. 54). It is used to devise strategies for responding to emergencies and conducting technical feasibility studies for new projects. In addition, the system links to drawings and maps of the entire supply system to control more than 8,000 applications every year involving registration of pipeline data.

PERFORMANCE MEASUREMENT

In 2009, Comgás and its contractors agreed on performance metrics for their professionals. Based on the results, measures were proposed to ensure safety and prevent damage or defects due to partners' actions. These performance metrics also apply to all Comgás employees, whose competences are evaluated using a matrix that relates activities and training with the skills required for their development. Records are stored by SAP and are frequently evaluated and controlled.

SYSTEM AUDITS

During the year, BG Group engaged a specialist firm to audit Comgás systems. We evaluated high-risk aspects such as the use of polyethylene pipelines to check implementation of best practices and thus ensure continuous improvement of asset integrity.

VALUE ASSURANCE FRAMEWORK (VAF)

This methodology supports decisions related to investment and hiring in so far as it assesses risks and identifies added-value opportunities. Multidisciplinary teams are mobilized to analyze and define the alternatives that provide most added value for Comgás. One of this year's standouts, among other VAF initiatives, was a readiness review to ensure that best management practices are being

applied to the conduct of all business. An overall audit was conducted for procedures, which assessed everything from business and operational strategies to regulatory issues.

DAMAGE PREVENTION PLAN

In 2009, the Damage Prevention Plan ranged from staff training for concession holders and caretakers to initiatives in communities around natural gas pipelines. A total of over 8,500 people were trained. To prevent damage to internal installations, courses were offered for caretakers at Comgás facilities and at the São Paulo Union of Workers in Buildings (Sindicatos), which trained 1,100 people. Some 1,600 employees attended training sessions presenting damage prevention and safety concepts for expansion work on the Marginal Tietê expressway. Comgás also took part in internal Accident Prevention Weeks held by other utilities. The year was marked by another campaign designed to raise awareness among Sabesp (Sanitation Company) professionals and its contractors of the correct use of procedures such as reading pipeline network and branch registers, or doing test bores. Comgás also allows all utility concession holders operating in its concession area to access eGeogas. Through this system, companies can check for gas pipelines in a workplace and apply for registration, if necessary.

Comgás maintains strict control of financial risks, which are managed by a robust treasury policy.



REPORTABILITY PROJECT

analysis and evaluation of incidents during SSMQ and Asset Integrity activities through the records generated for each event, which helps build a database system to support operational risk management. The main benefits of the new system are improved information security, quality data management, better use of resources and data analysis, and accident prevention. The project's second stage will be inclusion of the incident investigation module - an interface for extracting graphical reports and enhancements found in the process of gathering requirements.

FINANCIAL RISK MANAGEMENT POLICY


Comgás maintains strict control of financial risks, which are managed by a robust treasury policy that includes rules for measuring and mitigating any potential market volatility. The most important risks identified by Comgás relate to liquidity, interest rates, foreign exchange and credit. Management is mainly defensive, and aimed at harm reduction rather than speculation.

Financing/refinancing risks are related to the possibility of tight credit due to economic or political crises. To mitigate such risks, Comgás plans to define possible alternative sources of funding and the best opportunities in terms of costs and conditions, and ensure the right mix to avoid depending on one single source. Another aim is an appropriate spread of due dates, for which there are limits as follows: 30% of long-term debt with conditions including refinancing for the following 12 months; 50% of total debt with conditions for refinancing within three years; and 80% of total debt with conditions for refinancing in a period of five years.

Comgás hedges risk arising from fluctuating interest rates through transactions with variable rates in Brazilian reais. As a means of minimizing exposure to currency-rate risk and protecting its cash holdings and financial income, at least 75% of the contracted cashflows for amounts of over US\$ 500,000 are hedged, in addition to swaps, forwards and options.

In the first five years after privatization began, Comgás concentrated **efforts** on winning over high consumption customers to enable construction of **large systems**.





Today, Comgás has a **highly diversified portfolio** of industrial customers in which **large volumes** are concentrated and continually grow in the residential sector creating branches of the existing networks and consequently increasing **profitability of the business.**

INTANGIBLE ASSETS AND COMPETITIVE

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Several of the non-measurable assets maintained and continuously strengthened by Comgás add value to its business and represent advantages for the company. These include safety in operations, the training and commitment of employees, the use of advanced technologies and business know-how, and management methods that ensure sustainability.

SAFETY

To ensure the integrity of its professionals, and that of the staff of its business partners, customers and society as a whole, Comgás operates under the slogan “do it safely or not at all”. Safety related programs, projects, training and procedures are structured by the Health, Safety, Environment and Quality unit, which takes the measures and provides tools required for proper management of operating risks and impacts. To add emphasis to the subject, in the 2009 review of values (for more details see p.XX) and related behavior, Comgás highlighted safety as a key item in its business management and sets its zero-injuries target.

Since 2008, in line with BG Group initiatives, in-house training sessions have sought to heighten commitment from managers to this theme. The training sessions are part of the Leading with Safety program and in 2009 it was extended to managers of contractors, resulting in training courses or sessions for 468 attendees, including 314 managers from 40 partner organizations.

The program also covered level 2 managers, who then act as technical auditors for safety management systems. These professionals conducted 29 audits in the course of the year and focused on contractors’ procedures adhering more closely to Comgás standards. Managers are responsible for aligning plans required to enhance performance and monitoring commitments made after audits.

As part of the Annual Health and Safety Plan, the following initiatives were also taken in 2009:

SAFETY DRAGNET

Managers from different areas contributed 232 participations in 21 field visits to partner organizations, emphasizing safety and spreading the importance of the leadership’s commitment to Health and Safety system principles. The aim is to disseminate knowledge of safety management through practical examples that are part of the routine work done by contractors.

HEALTH AND SAFETY CENTRAL COMMITTEE

Previously discussed at meetings of the board of directors, the subject of safety was posed for an exclusive committee meeting monthly and involving level 2 managers, company officers, contractors and subcontractors. This forum enables attendees to align expectations about the role of leadership in safety, and to share best practices and lessons learned from incidents.

LIFESAVERS

Based on experience acquired in the activities of oil and gas companies, Comgás defined the ten major risks that employees are exposed to and how they may be eliminated by taking uncomplicated measures, which will

Comgás aims at the well being of its employees and third parties and has established a zero injury target to be achieved in its operations.

lead to operations reaching the zero-injuries target. Potential risks identified included driving vehicles, directional drilling, personal and property safety and security, soldering loads, entering confined spaces, working at heights, hoisting loads, working in trenches, commissioning and decommissioning gas pipeline networks, and the use of tools and equipment. Training sessions and discussion forums were held during the year and printed matter was distributed featuring the principal life-saver guidelines for four situations: working at heights or in confined spaces, hoisting loads, and driving vehicles. After the meetings, which brought together employees of the company and those of contractors and subcontractors, a theatrical sketch was performed dramatizing the main tips and recommendations to help participants remember the concepts. Comgás will continue to hold training sessions exhaustively focusing on each of the life-saver procedures.

HEALTH AND SAFETY DAY

Comgás involved contractors in Health and Safety Day activities. Operations were shut down twice, in April and December, to hold safety campaigns around the Life Saver Program guidelines. The initiatives covered

36 locations simultaneously and were attended by 50 contractors with a total number of 7,100 persons involved.

BBS PROGRAM

The Behavior Based Safety (BBS) – program was introduced five years ago and aims to educate employees to ensure safe working practices. It works through constant positive reinforcement aiming for definitive changes in attitudes by observing unsafe behavior and measures required to mitigate risks. There were about 3,900 observations monthly (46,800 for the year as a whole).

CRISIS MANAGEMENT

To guarantee the adoption of best practices and continuity of operations in all circumstances, Comgás simulated a real incident of major proportions. The exercise involved the entire board and the units working on the business continuity process. The results showed that employees had attained a high level of know-how and maturity, although we detected some minor procedures and training skills will have to be improved.

RESEARCH & DEVELOPMENT (R&D)

In 2004, Comgás introduced its Natural Gas Conservation and Rational Use R&D program. Working together with research centers and reputable universities, its aim is to develop projects that promote innovation and cost competitiveness through scientific knowledge. The program includes initiatives in the areas of Energy Efficiency, Standards, Professional Development, Dissemination and Awareness, Environmental Interest and R&D (new technologies, materials, equipment and diagnostic procedures).

Partnering Comgás in this process, among other institutions, are the University of São Paulo (USP), the State University of Campinas (UNICAMP), Foundation for Engineering Technology Development (FDTE), São Paulo State University (UNESP), the Aviation Technology Institute (ITA) and the

Technology Research Institute of São Paulo (IPT), and other technology-based companies. Since it was set up, the Research and Development (R&D) unit has run 59 projects.

In 2009, it put up the Comgás R&D Program website (www.comgas.com.br/ped). Descriptions of all the gas-industry projects developed by Comgás since 2004 are posted at this URL. In addition the website enables project managers to run them online.

COMGÁS INVESTMENT IN R&D (PER CYCLE)

Period	Investment (R\$)
2004/2005	1.8 million
2005/2006	2.2 millions
2006/2007	2.8 millions
2007/2008	3 millions
2008/2009	3.8 millions
2009/2010	3.8 millions

EFFICIENCY

EFFICIENT USE OF GAS IN BOILERS

Industrial boilers and those used for generating electricity are among the main consumers of natural gas in the Comgás concession area. Therefore, Comgás has compiled a technical manual to advise customers on efficient use of natural gas in boilers. Its focus is on energy conservation and reducing air pollutants. There are easy measures that can be taken immediately using companies' internal resources, and others that will require new investment. The project included training sessions to enable Comgás technicians to advise customers in relation to the information found in the manual.

Two technical seminars were held in Campinas and São Paulo to spread and discuss the contents of the manual. The events were attended by about 80 professionals from various Comgás customer firms.

MOBILE UNIT MONITORING ATMOSPHERIC EMISSIONS

In 2009, our mobile unit was built to evaluate equipment and monitor emissions from several industrial sectors using onboard measuring systems. The unit quantifies the concentrations of various substances in gases discharged by plants - such as oxygen, nitrogen oxides and carbon monoxide - in order to evaluate the efficiency of equipment in terms of burning.

Based on its Research and Development Program, Comgás has developed and executed projects that assure innovation and competitive gains in the markets in which it operates.

EMISSIONS INVENTORY

The project is able to monitor operating conditions and emissions from 20 boilers in an industrial complex or a specific segment. Data will be compiled and atmospheric emissions in particular will be compared against environmental regulations.

Two products developed through the Comgás R&D program will be used for the project: the manual on efficient use of gas in boilers, as theoretical basis, and the Mobile Emission Monitoring Unit, the main tool for implementing the project.

BOILER ENERGY EFFICIENCY SOFTWARE

In 2009, Comgás developed software to register boilers and calculate their emissions and energy efficiency, which enables it to undertake analyses to guide energy-related business decisions and investments. The program ensures structured storage of all relevant information for equipment that consumes fossil fuel to generate steam and similar operations in the Comgás concession area. Registration enables users to determine the typical characteristics of equipment, such as types of burners most frequently used, the most common emission controls and how many are in operation and for

which ranges (capacity and pressure). The software supports Comgás control of atmospheric emissions by showing the percentage of equipment producing emissions and the main controls used.

PUBLICITY AND AWARENESS

GAS PROFESSORSHIP

As a result of the partnership arrangement between Comgás and São Paulo University (USP), through the Institute for Electricity and Energy (IEE), the Gas Chair was established in 2007 as a space for study, reflection and analysis of the challenges facing the energy industry in Brazil and worldwide, and the decisive role of natural gas in this process. The professorship aims to extend awareness of the importance of natural gas in the energy matrix.

In 2009, a number of events were held to debate and discuss the use of natural gas and current informative publications on the subject were compiled and distributed. A highlight of the year was the video tour produced and edited by students of the Braudel Institute's Academy of Science, and a state school named for Professor Wilson Roberto Simonini. The video took the



award in the Exact Sciences category, as part of the first phase of a science intern program sponsored by USP's Dean of Research with support from the State Department of Education.

Two seminars were held in 2009 - one on the dissemination of Technical Standards; the other was a Solar & Gas Seminar. A book of case studies involving gas installations was published for the 4th MasterInstal Awards.

TRAINING

SCHOOL FOR GAS SPECIALISTS

As part of growth plans for the market in the Campinas region, Comgás backed a number of structural improvements in laboratories of the industrial training school run by the SENAI, named for Prof. Dr. Euclides de Jesus Zerbini. The program trains workers to install and maintain domestic natural gas facilities in the Campinas region and encourage local development.

HOME PLUMBER COURSE

In 2009, through a partnership arrangement with SENAI, Comgás offered training courses for its

contractors' employees and for persons referred by a social services organization in São Paulo. Five groups were trained as home plumbers. Of the 80 attendees trained, 40 were referred from contractors and 40 from the Social Services organization, and all those assisted were hired by Comgás outsourcer companies, thus contributing to their social inclusion and development. The other 40 participants, who were working as plumber's mates or assistants, were promoted to new jobs in their companies. Comgás intends to continue the project in 2010.

PEOPLE

Comgás' staff is highly trained and maintains this high standard through training programs and refresher courses, many of which are also open to employees of outsourcer contractors.

Appreciating people and their contribution makes for successful business so Comgás has several means of celebrating achievements and recognizing good ideas suggested by employees. Comgás also recognizes its professionals for commitment and collaboration by promoting personal equilibrium

through quality of life programs and honor awards for length of service.

TECHNOLOGY

Comgás uses highly sophisticated software to keep a database of its activities and underpin planning and development of methodologies to manage its business ventures. Staff tasks and contacts are networked to ensure universal access to all details and the interaction needed for a working environment conducive to development.

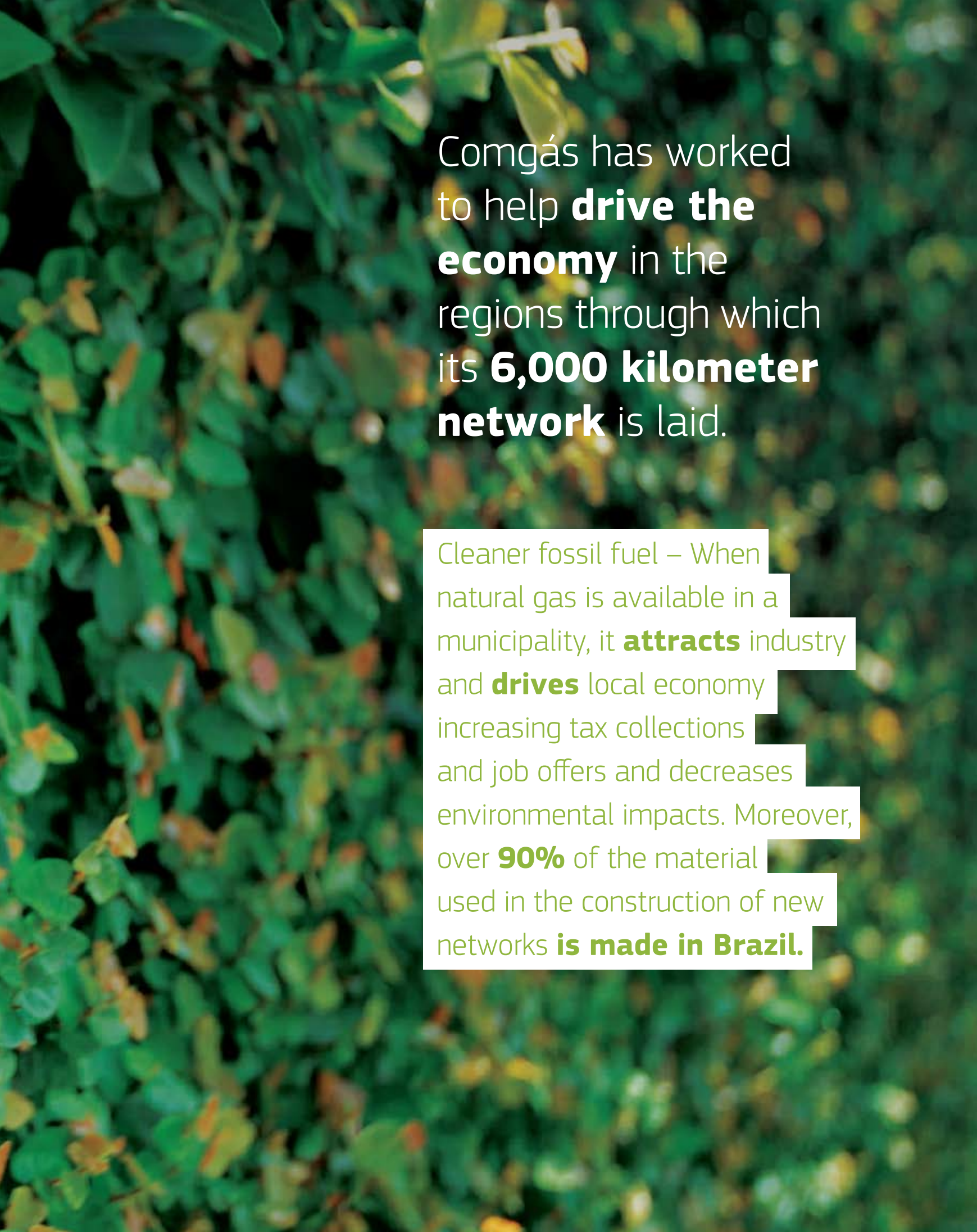
KNOWLEDGE MANAGEMENT

Through structured mapping processes listing the skills needed for each activity, Comgás works for effective management and dissemination of knowledge, thus ensuring business continuity in light of different scenarios. These procedures help individual skills to add value to organizational knowledge and so the workplace provides ongoing learning opportunities. Comgás encourages the use of technical knowledge in activities related to everyday business and services in order to boost performance and ensure the competitiveness of its business ventures.

Comgás recognizes and values its employees for their efforts and contribution in the form of suggestions and ideas forwarded that have enabled the company to achieve the projected good performance.







Comgás has worked to help **drive the economy** in the regions through which its **6,000 kilometer network** is laid.

Cleaner fossil fuel – When natural gas is available in a municipality, it **attracts** industry and **drives** local economy increasing tax collections and job offers and decreases environmental impacts. Moreover, over **90%** of the material used in the construction of new networks **is made in Brazil.**

AWARDS AND

WORLD NORTH AMERICA ASIA PACIFIC EUROPE

recognition

Excellence in delivering services, ongoing investment in new technologies, process improvements and enhanced relationships with all stakeholders earned Comgás major awards and recognition in 2009, covering several categories: finance, safety, customer relationships, social responsibility and the environment, among others.

BUSINESS EXCELLENCE

Voted best company in the gas sector the fourth consecutive year by Fundação Getúlio Vargas (FGV, business school). The award is sponsored by the review Conjuntura Econômica.

ISTO É DINHEIRO

Comgás was in 2nd place in the Isto é Dinheiro magazine's Oil and Gas segment ranking. It was also highlighted in the following categories: 1st place in Social Responsibility management; 2nd in Human Resources, Innovation and Quality and Corporate Governance; and 4th in Financial Management.

HIGHLIGHTED BY NEWS AGENCY AGÊNCIA ESTADO

Comgás took 6th place for its operational and financial performance in 2008.

AGA SAFETY ACHIEVEMENT AWARD

For the second consecutive year, Comgás won the world-renowned AGA Safety Achievement Award, made by the American Gas Association (AGA). The achievement was due to its low rate of incidents requiring absence from work, restricted working or job transfer and refers to the year 2008.

PERSONAE TENANT AWARDS 2008

Due to initiatives taken at its Campinas store located in Shopping Parque Dom Pedro I, Comgás received the Personae Tenant Award 2008 for best safety and health preventive measures at stores in malls run by Sonae Sierra in Brazil, Portugal, Spain and Italy. The award was made in 2009.

CHAIRMAN'S AWARDS 2009

Comgás took first place in the category Asset Integrity of the Chairman's Awards 2009 for its Asset Integrity System. A robust information system is used to manage the integrity of high-pressure pipelines.

COMPANY SHOWING MOST RESPECT FOR CONSUMERS

For the fourth consecutive year, Comgás led the piped gas sector for best recognition by customers, on the "respect" item. The award is made by Consumidor Moderno magazine.

GOLD SERVICE AWARD

Comgás was placed second in the awards made by the Brazilian Company-Customer Relations Associations (ABRAREC) for a case study of its customer service.

IV MASTERINSTAL AWARDS 2009

Comgás entered ten case studies for the Masterinstal, an initiative pursuing visibility and prominence for the installation sector by recognizing new approaches and best practices used to ensure quality, compliance and efficiency for installations in buildings. Three case studies earned Golds and one of them won recognition with a Silver award in the category Methods and Processes, for a project entered by ADSOMMA.

BG ENERGY CHALLENGE 2009

Comgás took a trophy in the BG Energy Challenge 2009. The challenge this year drew 69 teams from 33

companies in the energy sector, including four from Comgás: we took the first three positions in the Adventure Race in the Elite A category and first in Elite B (more details on p. 101).

NATURAL GAS STAR 2009

Comgás earned a Rookie of the Year award from the American government's Environmental Protection Agency (EPA). The award recognizes the newest participant company in the Comgás program Natural Gas STAR for best work in reducing emissions during the year.

Comgás has received in four consecutive years the highly prized honor of being named Company that Most Respects Consumers owed to its focus on customer satisfaction.

Comgás understands that the **final consumer** is its **reason for being** and therefore continually invests in **improving** relations with them. It also measures on an annual basis customer satisfaction with the services it provides.

In 2009, Comgás achieved **86%** in the survey conducted among users. The result is one of the **highest earned** of all public utility concessionaires in Brazil.

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BUSINESS

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Comgás is a company which expands its consumer market every year and it has continually invested to enable it to do so.

In 2009 alone, the distribution system for piped natural gas was expanded by 553 km to reach a total of 6,260 km. The Comgás concession area concentrates more than 30% of all piped gas distribution networks in Brazil.

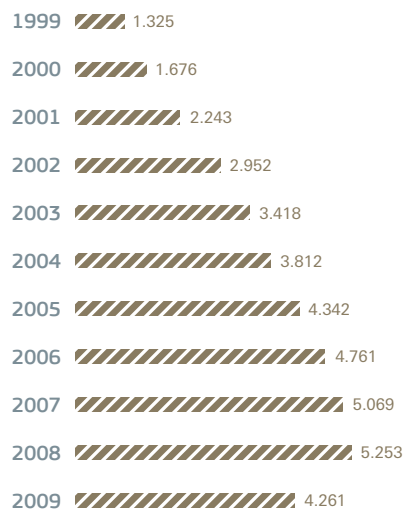
To support the growth of its business in 2009, Comgás invested in new technologies for improving emergency responses. Our Emergency Room contains latest-generation equipment designed for excellence throughout the information technology system. The site contains centralized customer data, natural gas consumption and maps of Comgás pipelines, which enables more centralized and agile responses to emergencies. Special vehicles - used for drilling under load, pipe repair and primary response services - were also renovated. There are 38 units designed to be the right size and weight for the scope of the work involved. In addition, to tackle problem sites more efficiently, statistical studies of emergency data with the help of GPS technology enables a response to be provided by the employees nearest to the affected areas. The project saves time needed to solve demands, transport costs and atmospheric emissions due to transporting outside

teams. Decentralized regional units enable Comgás to provide services in a more agile and effective manner. Some 97.5% of all emergency calls are responded to within 1 hour. At the end of 2009, Comgás had 11 bases, two in São Paulo (Operational Center of Greater São Paulo - CORMSP - and Butantã), and one in each of the following cities: Santos, Campinas, Jundiaí, Santos, São José dos Campos, Limeira, Lorena, Capuava and Santo André. At the end of the year, the fleet consisted of 383 vehicles, of which 132 were acquired in 2009.

In 2009, we also developed a new system for cleaning pipeline scrubbers by using ultrasound in line with the requirements of ISO 14001 environmental certification. The system cut 75% off the time used for the process and eliminates 100% of waste (the conventional method was about 80% efficient for removal of impurities). Along with the gain in quality, Comgás also obtained better management of its assets, with longer scrubber lifetime.

Along with this initiative, others undertaken during the year were also aligned with the aim of obtaining operational improvements:

VOLUME (IN MILLION OF M³)



TELEMETERING

In 2009, the CNG segment's facilities and customers were the focus for wireless telemetering, which reduces operational risk and enhances safety by avoiding the need for the external team to drive out to investigate. By the end of the year, Comgás was supplying 130 CNG stations - 400% more than in 2008 - using the telemetering system. In all, Comgás has 640 telemeterized points of sale, including filling stations, customers and pieces of equipment.

IT MANAGEMENT

In 2009, the IT unit focused mainly on optimizing the application portfolio, which was completed with the DNA Project. This project resulted in the deployment of new Customer Relationship Management and Sales Management systems based on the SAP platform (My SAP CRM and IS-U CCS), as an important step forward in the consolidation of Comgás' growth strategy for the coming years. As part of convergence of applications and solutions for the SAP platform, the HR and BW modules were deployed, with portal components and Internet services too. The project took 18

months to completion in July 2009 and involved a team of 200 employees and outside consultants. As part of its DNA project, Comgás was the first gas company in Brazil to use the SAP utilities solution and the first in Latin America to introduce SAP CRM 2007. In addition to the DNA project, the following IT initiatives were standouts:

- » Adoption of solutions for collaboration (internal social networks, knowledge base, blogs, wiki) as part of the project for restructuring the Intranet and building the corporate portal.
- » Consolidation of services-oriented architecture (SOA) and BPM as facilitators for deploying flexible business solutions, produced quickly and flexibly with no need to adapt database systems, and accessible through the corporate portal.
- » Operational project deployment focusing on gas nomination and asset integrity solutions.

These and other achievements in 2009 impacted all business units positively and the following results were posted.

RESIDENTIAL MARKET

The residential segment is a strategic focus for Comgás and reported significant results in the period, but the standout was its breaking the barrier of 100,000 new customers in one year. Comgás added 104,000 customers to its distribution network and the volume of natural gas delivered to this market grew 5.9% compared to 2008 to a total of 144 million cubic meters a year. Comgás ended 2009 with 869,000 customers in its portfolio - three times the total number of residential consumers at the time of the company's privatization ten years ago.

These results were achieved based on aggressive marketing strategy, developing value propositions for different types of customer, and expanding the reach of the gas pipeline network in various regions of the concession area. In 2009, in addition to broader reach in regions already served by the residential sector, such as the São Paulo metropolitan region, Campinas, Santos and São Jose dos Campos, Comgás took piped natural gas to homes in Mogi das Cruzes and São Vicente.

The Retail project, focusing on connections of homes, was also consolidated in 2009. Over 14,000 new homes were connected from January through December 2009, which was three times more than in 2008. Another record was new housing connections, with more than 35,600 new customers.

The year was marked by the introduction of the new piped-gas CRM with CCS for invoicing in order to support the expected growth of the customer base and at the same time improve quality of services through process optimization, more agility and reliability for critical business functions and customer data access (more details on page 79).

The tariff review cut margins in the residential segment, so Comgás redesigned its strategy to ensure the segment would still be attractive and profitable in the new situation. On the other hand, lower tariffs benefited customers, gave piped natural gas a more competitive edge, and raised its level of acceptance.



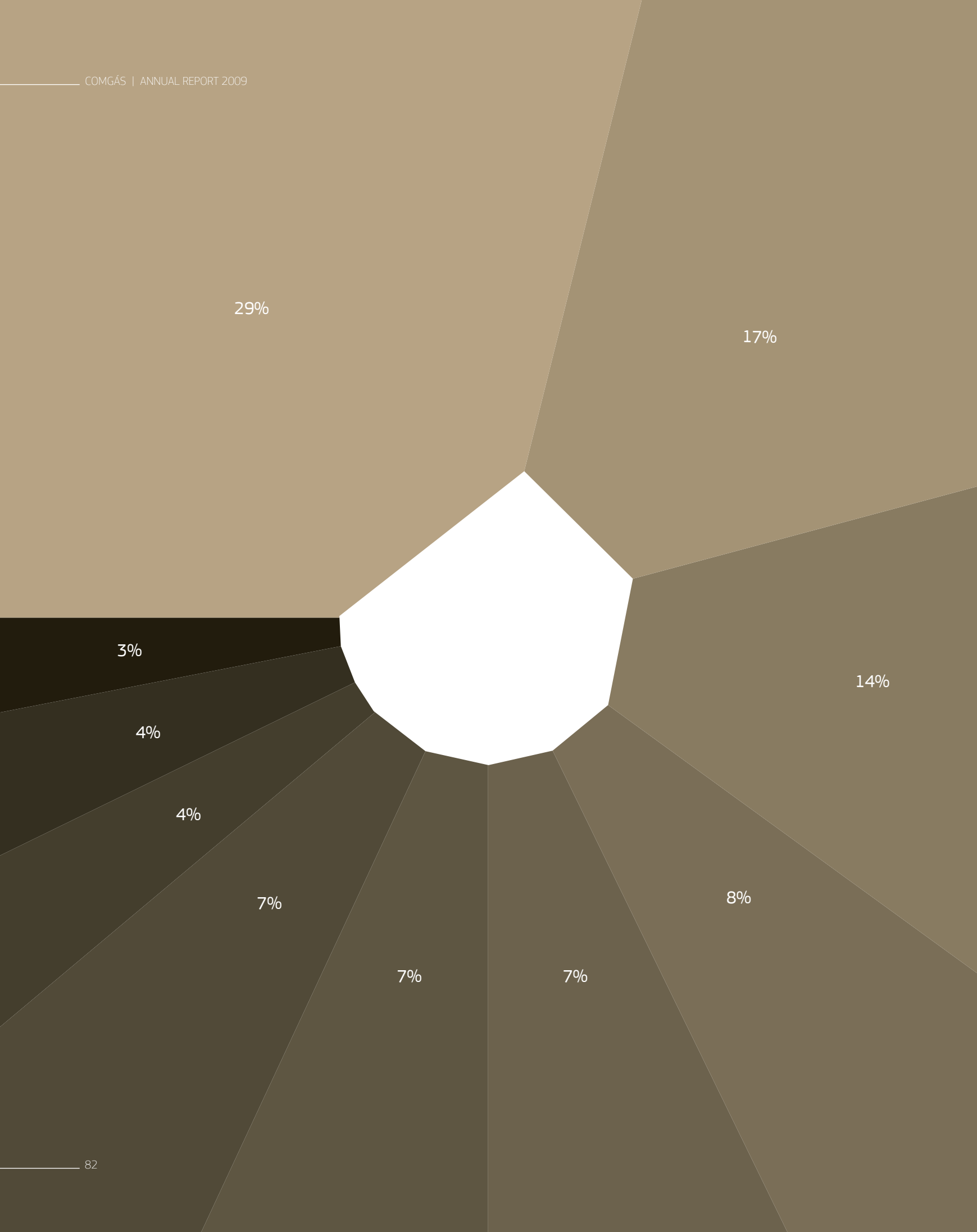
CLIENTS PER SEGMENT

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Residential	306.477	321.279	337.441	369.990	407.407	441.925	488.572	609.036	683.692	765.103	869.138
Commercial	7.044	7.082	7.276	7.667	7.911	8.123	8.171	8.361	8.563	8.885	9.265
NGV	20	21	51	145	204	256	317	369	384	401	373
Industrial	493	539	619	684	767	840	902	965	989	1004	973
Thermo	-	1	2	2	2	2	2	2	2	2	2
Cogeneration	-	3	4	6	5	10	13	13	16	20	23

INDUSTRIAL SEGMENT

The world financial crisis downscaled operations for many industrial customers, and Comgás reported a fall of around 27% in natural gas volume delivered to this segment in early 2009. Trying to appease the reduction of the consumption and to help customers tackle difficulties, Comgás bid in Petrobrás natural gas auctions to buy and sell energy inputs at more competitive prices for its customers.

By the end of 2009, Comgás was serving 973 industrial customers. The segment used 3.3 billion cubic meters of natural gas, 14% lower than in 2008, but it ended the year with an upward against the early part of the year. After the tariff review by the Arsesp regulatory agency reduced rates by up to 28% in this segment, and with gradual recovery in the economy, Comgás believes the industrial sector will be recovering in 2010.



INDUSTRIAL VOLUME 2009 (BY SECTOR)

29%	Chemicals/Petrochemicals
17%	Ceramics
14%	Paper and Pulp
8%	Glassmaking
7%	Automotive/Tires
7%	Beverages/Food
7%	Metals/Foundry and non-ferrous
4%	Steel
4%	Textiles/Laundry/Dryes
3%	Outros

COGENERATION AND HVAC

The year was marked by important advances in the field of cogeneration, which ended the year with a 4.5% increase on the previous year in terms of total volume of gas distributed.

In matters of HVAC market, Arsesp's introduction of a cooling tariff boosted the competitiveness of natural gas in relation to electricity.

By the end of the year, 31 firms were supplied with natural gas for HVAC projects. Consumption

Hospital São Camilo, Edifício Atrium 9, and Teleperformance in São Paulo; Restaurante Tertúlia and Hotel Mendes Plaza in Santos. For cogeneration projects and peak-time natural gas generation, new customers were Shopping Praça da Moça in Diadema; tower 2 of Rochavera Corporate Towers in São Paulo, and Hotel Royal Palm Plaza in Campinas.

Advances were also achieved by the efforts of a centralized and highly trained team with new service

Use of natural gas in climate control projects has recorded growth of 18% resulting in the creation of air conditioning rate by ARSESP.

showed an 18% increase in this market in 2009. Some of our 2009 highlights were the following new HVAC customers: Shopping União, in Osasco; Hotel Premium in Campinas; Shopping Praça da Moça in Diadema;

offerings. Rather than simply selling natural gas to customers, they were offered comprehensive energy consulting services. Proposals are made to measure, which adds real value to business ventures.

AUTOMOTIVE

At the end of 2009, Comgás was selling compressed natural gas vehicle (NGV) in every region of the Comgás concession area, with 373 filling stations supplying a fleet estimated at more than 350,000 vehicles. In relation to 2008, there was a 29.7% fall in the volume of NGV offered to the automotive segment.

To encourage the use of natural gas in this market, Comgás has advanced in the development of NGV minibuses and taken strong measures to combat fraud or diversion of natural gas. During the year, 13 stations had their gas supplies halted due to irregularities in measurement systems or the supply of natural gas. Comgás has acted in partnership with the competent agencies through cases involving the public prosecutor, and its housing and consumer protection sections, starting in 2008 and ongoing in this period. It also holds filling station inspections in partnership with the municipal department for Control of Use of Buildings (CONTRU).

In addition, Comgás participated in August's inspection visits organized by the prosecutor of the Organized Crime squad and São Paulo's state finance department to six stations in the São Paulo metropolitan region.

In 2010 Comgás expects recovery in growth of this market due to the increased competitiveness of compressed natural gas for vehicles compared with alcohol and gasoline.

COMMERCIAL SEGMENT


In addition to its own team of professionals, Comgás expanded its use of sales consultants from outsourcer companies in the commercial sector to all its operating regions in 2009, posing value propositions tailored to each customer. The strategy started as a pilot project in Campinas, where it showed its worth by winning 9,265 new customers, which was 4.3% more than in 2008. Even with a bigger portfolio, the volume of natural gas distributes to the segment was impacted by the financial crisis and fell 4.2% on the previous year. However, due to the economic recovery, an expanded customer base, and lower tariffs after the Arsesp regulatory agency's extraordinary review in December (for more details, see pages 17 and 18), the product became more competitive. These points, combined with a new sales model for Comgás, provided the basis for a growing demand for natural gas in the commercial sector.

Natural gas distribution operations are essential for economic development. Comgás works very hard to supply an ever growing number of customers, offering greater safety and simplicity, contributing toward driving industrial operations in its concession areas in the state of São Paulo.

THERMOELECTRICS

There are two natural gas-fired power plants, Fernando Gasparian, in the Comgás concession area. Their operation depends on dispatching decisions made by the grid authority (known as the Independent System Operator, or ONS). In 2009, dams were overflowing so the thermoelectric

plants were run at low levels of activity and used only 20.7 million cubic meters of natural gas. Comgás' supplying contracts doesn't include supplying thermoelectric. In case of gas-fired power plants needs natural gas, Petrobras will furnish Comgás the additional volume.

The background is a soft-focus photograph of a kitchen. In the foreground, a white bowl is filled with several green avocados and one bright red and yellow bell pepper. In the background, a kitchen counter and a stove with a red pot are visible, though out of focus.

Making it into a **self-sustaining building** with a water reuse system, biological effluent treatment and also air conditioning powered by **natural gas**, as well as **generating electricity** from natural gas at a co-generation plant. Through this extensive restoration Comgás helped local government to **revitalize São Paulo's inner-city area.**

Comgás **restored** its former head offices and depot, which has been **listed by heritage authorities**



FINANCIAL

per for mance

Steady investment: Comgás faced considerable challenges in 2009. However, despite the adversities of the year, which eventually impacted its financial results, we continued to invest steadily and extend our distribution network for piped natural gas.

Our 2009 investment of R\$ 406 million was even slightly more than 2008's total of R\$ 403 million, which shows management's confidence in its growth potential and their long-term focus, since this is a 30-year concession that may be renewed for another 20 years.

The number of residential customers increased 13.6% after a record 104,000 new connections, and the year ended with a total of 869,140 homes connected. On the basis of this growth, the company's contribution margin in this segment increased from 19.9% to 22.6%.

A total of R\$ 268.4 million was distributed to shareholders in the form of dividends and interest on own capital in 2009.

At R\$ 4.9 billion, gross revenue was down 1.5% on 2008's total of R\$ 5 billion. The fall in revenue was due mainly to the decrease in volume sales of gas combined with pass-through of gas costs to tariffs for sales.

Also, in May 2009, Arsesp published the final result of its tariff review which showed a 9.8% decline in maximum margin.

The industrial segment is the company's largest market and accounts for 77.48% of all natural gas distributed by Comgás. Compared

with the previous year, 2009 saw a 14.0% reduction in the volume of gas sold to the industrial sector, reflecting the sector's lower output in the wake of the world financial crisis.

GROSS PROFIT

Our gross profit of R\$ 1.15 billion in 2009 was 16.0% below 2008's number of R\$1.37 billion. The result was directly associated with an 18.9% fall in the volume of gas distributed by the company, from 5.25 billion m³ in 2008 to 4.26 billion m³ in 2009. Another factor that contributed to the fall in gross profit was the tariff reduction announcement by Arsesp in May 2009.

The Comgás tariff adjustment did not have the same impact for all customers; the outcome depends on volume of gas consumed and market segment.

The extraordinary tariff adjustment announced in December did not have a material effect on gross profits in 2009, since it was only effective for the last month of the year.

EBITDA

Earnings before interest payments, taxes, depreciation and amortization were down 19.0% in 2009, comparing to 2008. By the end of the year, Ebitda add up R\$ 838.24 million against R\$ 1.03 billion posted in 2008.

AVERAGE IMPACT OF TARIFFS DETERMINED BY THE 2009 FIVE-YEAR TARIFF REVIEW:

Industrial	- 18.0%
NGV - Automotive	- 16.6%
Cogeneration	- 20.9%
Large commercial/offices	- 12.1%
CNG	- 18.0%
Residential	- 25.1%
Residential Collective	- 12.6%
Commercial	-11.8%

BORROWING STRATEGY

Comgás' strategy for financing its investments continued to be based on long-term lines of credit and obtaining funding at competitive costs, mainly through BNDES. The purpose of these financing transactions was to undertake investment in growth.

In 2009, Comgás signed agreements with development bank BNDES for R\$ 665 million in order to finance part of its expansion program for the period 2009 to 2011. Disbursements from BNDES during the period amounted to R\$ 215 million, in all cases based on the benchmark long-term interest rate (known as TJLP). The average term for repayment of debt, taking December 31, 2009, as base date, was 2.2 years (similar to 2008), and its average cost was around 100% of the interbank rate locally known as "CDI".

Unlike 2008, the year of 2009 was marked by lower oil prices, which together with the appreciation of the Brazilian real against the dollar, prompted a substantial fall in the cost of gas compared with the previous period. Comgás tariff structure prices and costs (as approved by the regulatory agency) are not necessarily those actually incurred when purchasing

inputs, so discrepancies are recognized in a "regulatory current account" and periodically passed on to natural gas consumers in the form of higher or lower tariffs.

In this scenario, Comgás ended the year with a current account surplus of R\$ 29 million to be retrieved (R\$ 500 million less than in 2008).

Given this situation, short-term debt was reduced and transactions were renegotiated taking the average cost of borrowing back to near pre-crisis levels of around 107% of the CDI interbank rate.

On December 10, the Arseso regulatory agency authorized extraordinary reductions of up to 6.43% for industrial, commercial, automotive and generating (thermoelectric) customers. Tariffs remained unchanged for the residential segment, which accounts for more than 98% of customers served.

NET INCOME

Comgás net income for 2009 fell 28.4% from R\$ 514 million in 2008 to R\$ 368 million in 2009.

Tax rate reviews in 2009 caused an impact on natural gas prices in all areas supplied by Comgás.

Value added - indicator of wealth added to society - totaled R\$ 1.41 billion in 2009. This value represents the difference between revenues obtained and cost of buying gas and outsourced services, plus depreciation and amortization. Over the past 10 years, Comgás has accumulated value added in the amount of R\$9.59 billion.

IFRS

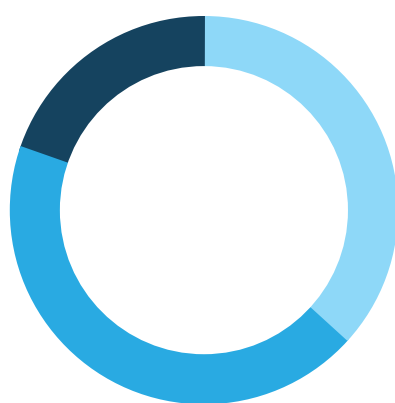
Accounting practices in Brazil were addressed by Law 11638/07 and Provisional Measure 449/08, which amended or repealed aspects of the Law of Corporations, especially Chapter XV of Law 6404/76. The accounting changes come into effect as of closing out financial statements for the year ended December 31, 2008, and are applicable to all companies incorporated as "sociedades anônimas", including publicly traded companies

and large business corporations. The main purpose of the alterations was to update Brazilian corporate law so that local accounting practices may be harmonized with international accounting standards (IFRS). Regulatory agencies and the CVM are now able to issue new rules and procedures in line with international accounting standards.

The process of convergence with IFRS international accounting standards is a major advance in terms of modernizing accounting in Brazil, and follows the trend in the world financial markets for unification of accounting practices in different countries.

Comgás is aligned with international unification of accounting practices and is disclosing all financial statements for 2010 on the basis of international accounting standards (IFRS).

DEBT PROFILE

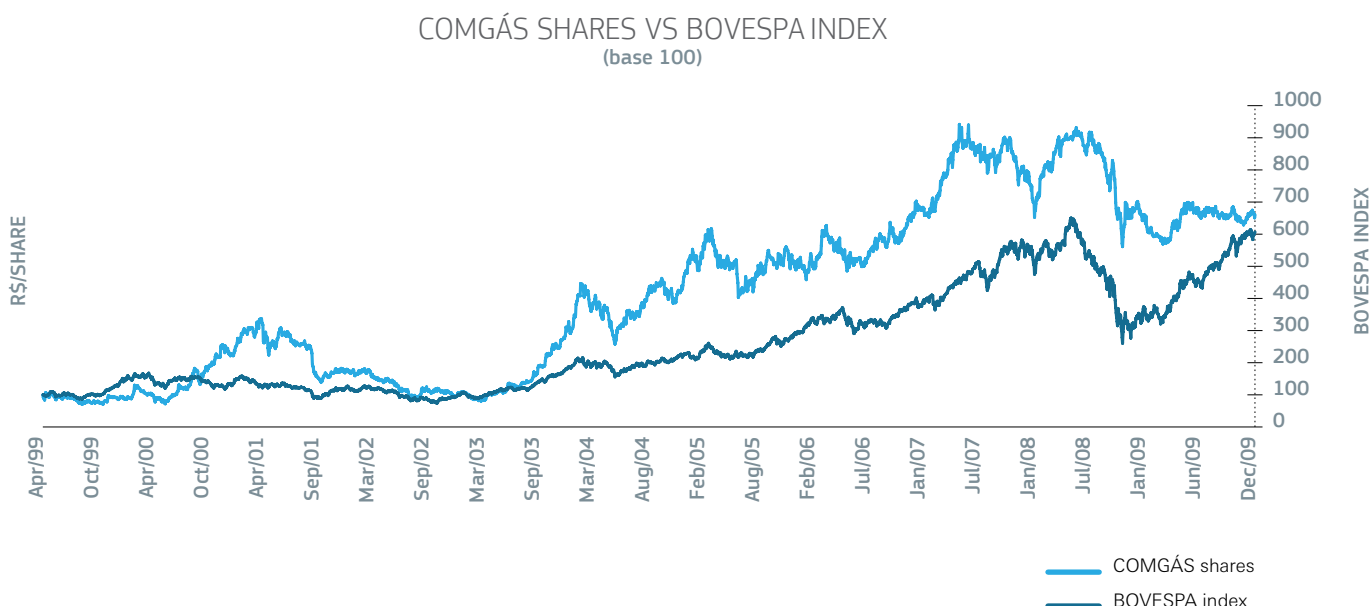


36,61% Short term (up to 1 year)
43,18% Medium term (1 - 3 years)
20,21% Long term (above 3 years)

VALUE ADDED STATEMENT



7% Employees
42% Government
13% Financial institutions
38% Shareholders



SHARE CAPITAL

The Comgás capital was opened in 1996 and its shares have been listed on the Stock Exchange (Bovespa) since 1997. The Comgás joint stock comprises of 119,822,797 shares, of which 93,910,898 are common shares (ON) and 25,911,899 are preferential class A (PNA). Of this total, 78% belong to the controlling shareholder. The investing public has access to common and preferential shares, representing 22% of the total share capital of the company (free-float).

CAPITAL MARKETS

The year of 2009 marked 10 years of privatization of the Company. In the chart above you can see the performance of the Comgás shares since the controlling shareholder of the Company was sold by the consortium formed by the BG Group and Shell. Characterized by low

volatility of the stock and good dividends to shareholders, since privatization the preference shares have risen about 600% and remained above the performance of the Bovespa index in this same period.

The year of 2009 saw the recovery of the major international stock exchanges, reflecting the recovery from the global economic crisis, which began in 2008. One of the major highlights was the return of foreign investors to the Brazilian Stock Exchange (BM & F Bovespa). At the same levels as the previous year, in 2009 approximately 30% of Comgás shares traded in the market remained in the hands of foreign investors, thus demonstrating that despite the turmoil experienced by the international market, because of being a large payer of dividends, investors have found, through the Company's shares, a way of minimizing their losses.

The Comgás preferential shares (CGAS5) closed 2009 quoted at R\$ 34.00 each, a valuation of 2.81% on the year and with an average daily trading volume of R\$ 2.4 million. Whereas the common shares (CGAS3) closed the year with a unit price of R\$ 30.40, down 4.97% in 2009.

It is noteworthy that in 2009 the Company paid R\$ 199.9 million in dividends for the year of 2008, besides R\$ 68.5 million paid in interest on equity for the financial year of 2009, making an amount of R\$ 268.4 million paid as total shareholder remuneration. In this same period, the Comgás shares have a dividend yield (1) of around 7.0%, whilst the payout (2) was 73% for 2009.

With the entry of other companies' shares into Bovespa at the beginning of 2010, the Comgás preferential stock shares ceased to be a part of Bovespa's theoretical portfolio.

(1) Dividend Yield: index designed to measure the return on dividends from a company in relation to its stock price, allowing the comparison of return on dividends between companies.

(2) Payout: distribution fee on the company's profit to shareholders in the form of dividends or interest on equity.

PEOPLE

man

age

ment

At the end of 2009, Comgás had 948 employees on its own payroll and 3,556 outsourcers. Its intern program provided 100 places in the period.

In line with responsible management of its staff and respect for freedom of association, employees' conditions are governed by collective bargaining with gas workers and engineers unions.

Human resources policy was enhanced during the year by a structured process for managing talents. The purpose is to offer challenging working conditions that respect each individual's approach to work and offer opportunities for professional and personal achievements.

This process involves attracting, retaining and engaging people with the growth of Comgás. The selection and hiring process is based on combining the right technical and previous experience for the position with behaviors and attitudes aligned with the company's values. In order to retain talents, Comgás ensures that employees' contributions are aligned with what the company has to offer in terms of learning, opportunities for growth and advancing careers, monetary reward, challenges, recognition and a propitious environment for professional development. The year was also marked by the conclusion of our HR

The Company's human resources policy was improved during the year enabling Comgás to attract, retain and engage all professionals to promote continued sustainable growth.

project (Projeto IntegraRH) integrating Human Resources processes with SAP HR, which will boost personnel management effectiveness and control and thus drive continuous improvement of business processes.

There was also a review of behaviors required for alignment with the organization's values, which pose ethical principles guiding all our business in the form of a set of behaviors. The review involved both universal behaviors, which must be perceived and practiced by all employees irrespective of hierarchical level, and those meant to be perceived and practiced by managers.

WORKFORCE

	2007	2008	2009
Full time			
Long-term/indefinite	859	952	948
Short-term /temporary	81	107	84
Outsourced workers			
Long-term/indefinite	3,333	3,123	3,543
Short-term /temporary	15	55	13
Total	4,288	4,237	4,588

TURNOVER

	2007	2008	2009
Variation			
Number admitted	134	156	88
Number terminated	69	59	92
Turnover - total	8.35%	6.52%	9.68%
Turnover by gender			
Men	5.4%	3.2%	5.5%
Women	2.9%	3.3%	4.2%
Turnover by age group			
under 30	2.7%	1.9%	2.7%
30 - 50	5.6%	4.2%	6.1%
Over 50	0.1%	0.4%	0.8%

DIVERSITY INDICATORS

	2007	2008	2009
Staff category			
Executive	77	89	84
Coordination	52	58	53
Professional and engineers	265	314	294
Administrative	88	99	90
Operational	312	320	349
Sales	65	72	78
Gender			
Men	70.2%	67.5%	69.2%
Women	29.8%	32.5%	30.8%
Color/ethnic origin			
White	88%	89%	89%
Black	11%	10%	10%
Asian	1%	1%	1%
Indigenous	0%	0%	0%
Age group			
Under 30	34%	35%	27%
30 - 50	57%	57%	62%
Over 50	8%	8%	11%

AVERAGE TRAINING HOURS 2009

Staff category	Hours	Hours/employee
Technical level	15,910	100
Operational level	18,678	98
Managers - supervisors	1,512	12
Administrative	1,145	13
Professional	4,879	13
Officers	224	32

DEVELOPMENT

To develop leaderships in 2009, Comgás provided specialization courses for project managers. Thirty members of our staff enrolled to take a Project Management MBA at a business school (Fundação Instituto de Administração, or FIA).

The Leadership Development Program also involved coaching and learning group sessions for managers, in addition to the company's business-related training courses. Gas workers and technicians were involved in our customer service program (Atendimento Nota 10) with training preparing them to ensure excellence in customer service, including exchanges of experiences and best practices, and measures emphasizing safety as a value. Training sessions were attended by 400 outsourcers working for our contractors and Comgás construction technicians.

Training policy also involved loans for staff taking specialization courses, scholarships for university and secondary education courses, as well as internal training courses based on our appraisal of specific developments.

REMUNERATION

Comgás remunerates its professionals fairly and its policy is compatible with market averages. The lowest salary paid is 1.96 times the current minimum

wage in Brazil. Comgás therefore contributes to development in the areas where it does business. Remuneration is based on ethical criteria and respect, and reflects professional ability too.

It also offers a defined-contribution pension plan that covers 94% of its staff. Staff may invest up to 4% of their salary in the fund and Comgás deposits the same amount. The benefit has drawn 100% coverage, and there is a cumulative balance of more than R\$ 52 million in the fund as of December 31, 2009.

Staff also enjoy the following benefits: assistance in cases of disease/accident, medical and dental care, assistance for children with special needs, day-care assistances, subsidy for purchase of orthopedic material, optical and pharmaceutical assistance, vacation loan, life insurance and private pensions. Temporary employees too may have life insurance, coverage for incapacity or disability, transport and meal vouchers provided by outsourced company.

Comgás also has a structured profit sharing program (locally known as PLR). Staff are paid additional bonuses depending on results reached by Comgás and individual performance in the year based on a manager's direct evaluation. In 2009, some R\$ 17.7 million were distributed under the profit sharing scheme.

BASIC SALARIES - MEN/WOMEN

Basic salary (R\$)	2007		2008		2009	
	Men	Women	Men	Women	Men	Women
Staff category						
Executive	1.27	1.00	1.29	1.00	0.93	1.00
Coordinators	0.96	1.00	0.99	1.00	1.01	1.00
Technicians	0.78	1.00	0.78	1.00	1.17	1.00
Operational	1.15	1.00	1.20	1.00	0.99	1.00
Professionals / Eng.	1.09	1.00	1.08	1.00	0.95	1.00
Sales	1.22	1.00	1.09	1.00	0.95	1.00

RATIO OF LOWEST SALARY PAID BY THE COMPANY TO MINIMUM WAGE

	2007	2008	2009
City of São Paulo	2.12	2.06	1.96
Campinas	3.38	3.46	2.82
São Paulo Metropolitan Region	N.A.	6.34	6.15
Vale do Paraíba	3.54	3.46	2.82
Baixada Santista	5.21	3.46	2.82

Comgás also has a structured profit sharing program (locally known as PLR). Staff are paid additional bonuses depending on results reached by Comgás and individual performance in the year based on a manager's direct evaluation.

QUALITY OF LIFE

To contribute to better quality of life for its professionals, Comgás arranges physical activities and encourages healthier behaviors, strengthening family life and emphasizing the importance of diversity for personal and professional growth.

There is an annual Adventure Race/Walk joining physical exercise with citizenship awareness. There were 128 teams entered in 2009, with about 400 participants from Comgás, who donated liters of milk as part of registration.

Comgás encourages staff to do physical exercise and has set up a fitness unit at the São Paulo metropolitan region operational center (CO-RMSP) – with very affordable monthly fees – offering seven body building and gymnastics classes and training equipment. At the end of 2009, there were 150 employees registered with the fitness center

As part of our Accident Prevention Week campaign held in São Paulo and Campinas in October, awareness initiatives focused on the theme of balance between life and work. An almanac distributed to professionals emphasized sensible eating, the obesity, alcohol and drug use problems and concepts relating to ergonomics. Wellness initiatives also involve support for those wishing to stop smoking as part of our More Life program (Programa Mais Viver). The program includes talks, group therapy sessions

and medical follow-up, in addition to advice on stopping smoking.

Comgás earned a 100% tobacco-free environment seal from the São Paulo state government's committee for tobacco-free environments (local acronym CEPALT). Comgás was also awarded the São Paulo diversity seal, a form of certification created by Governor José Serra to promote diversity in the labor market through recognition of companies adopting structured inclusion programs. Comgás will be able to attach this seal to its brand in advertising and publications and so align its image with respect for one of the basic principles of citizenship. Our staff includes 42 professionals with disabilities and 35 women holding management positions; as proportions of headcounts, these numbers are above the average for other large companies.

To strengthen the family environment and build closer relationships, Comgás distributes presents to children aged 11 or below, and parents may take part in the choice of toys. Children may also enter drawing and writing competitions, to win prizes such as educational toys or excursions. For young people there are career choice workshops, with specialized consultants and talks. In 2009, support activities for career choice involved employees' children, siblings and nephews/nieces, totaling 50 participants.

HEALTH AND SAFETY

Safety is a priority item in all jobs done by Comgás staff or outsourcers. In addition to including safety as one of its values, in 2009 Comgás ran several awareness campaigns to highlight the importance of safe environments for full professional development (more details on pages 60 and 61).

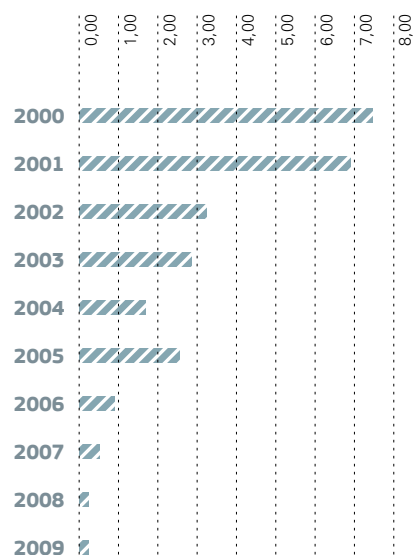
Over 75% of staff are represented on formal health and safety committees comprising both managers and workers to ensure correct monitoring and advice on the safety programs and occupational health measures adopted internally. All the initiatives developed are aligned with the goal of reaching zero injuries at work. In 2009 there were no incidents involving time off work, but three outsourced workers were involved in incidents that did not require time off work. To reduce these numbers even more and provide more protection for outsourcers, safety initiatives this year were directed particularly to those working for contractors. Comgás also adopted a contingency plan to protect its staff

and prevent the spread of A (H1N1), or swine flu. On detecting three cases of suspected flu, Comgás asked over 120 employees to remain in quarantine at their homes. Having taken this measure, we continued to operate normally and reduced the risk of infection. Employees suspected of having flu were treated at a special hospital and those who remained in quarantine were monitored daily by telephone using medical questionnaires. One professional was diagnosed as having swine flu and received assistance from Comgás throughout the treatment period.

INTERNAL COMMUNICATION

As its main vehicles for communicating with its employees Comgás uses a bimonthly magazine Comgás Total, a weekly poster Jornal Mural, a weekly bulletin Telegás Semanal, and Telegás Especial (extra version of the weekly bulletin), in addition to monthly direct contacts between managers and their subordinates (referred to as Batendo Papo).

INCIDENTS INVOLVING TIME OFF OR RESTRICTED WORK PER MILLION MAN HOURS WORKED (TRCF)





The background image shows the exterior of a large, modern stadium. The facade is light-colored with several rectangular windows and circular portholes. The name 'ESTADIO MACHADO' is visible in large, bold letters, with 'PABLO' written below it. The foreground is a paved area with white lines, possibly a parking lot or a road. The lighting suggests it's daytime.

Comgás has established **transparent, ethical and long lasting relationships** with its intended audience which result in **real gains in value** throughout its business and production chain. The Company's operations strategy **includes cities** in which it expects to operate **in the future** and maintained operations in the areas in which it is currently engaged.

Comgás helps
reduce emissions of
polluting gases



SOCIAL

man

age

ment

Community: Comgás shows its commitment to developing the regions in its concession area by running cultural and educational programs. Comgás sees its activities in these locations as strategic and works for enduring, transparent and sustainable relationships with communities.

In 2009, over R\$ 3.67 million was invested in social responsibility projects in 21 municipalities, of which R\$ 3 million was subsidy and R\$ 670,000 own funds. Through the Municipal Fund for Rights of Children and Adolescents (FUMCAD), for example, Comgás channeled R\$ 559,000 to the Association of Assistance for Handicapped Children in 2009.

Before starting operations, Comgás takes a series of initiatives to assess the possible social impacts. In contact with community leaders and the most representative associations, it identifies local needs and the measures required to deal with the main issues. The programs are monitored and evaluated regularly for frequent improvement.

Comgás has taken initiatives with the aim of ensuring safety - one of its most important values - for local communities. In this respect, we worked in partnership with the municipality of São Paulo's local office in São Miguel Paulista, and with the city of Suzano, to help relocate families illegally occupying areas containing gas pipelines. In the case of Suzano, the municipal government removed 33 families from risk sites and they were allocated homes by the State of São Paulo Housing and Urban Development Company (local

acronym CDHU). In São Miguel Paulista, the municipal authority arranged compensation for families removed from the site. The whole process was conducted based on strict standards of respect and integrity. In addition, Comgás, in partnership with local governments, redeveloped these areas to provide public leisure facilities.

As part of the Damage Prevention Program (more details on page 54), several campaigns were run to inform the community of the presence of gas in the vicinity of homes. Comgás produced and distributed informative literature, including an easily understood comic book explaining what natural gas is and how it is used. There were also cultural activities such as theater, and movies featuring safety issues were screened. These initiatives involved approximately 6,200 people.

Comgás in 2009 invested over R\$ 3.67 million in social accountability projects, which were developed in 21 municipalities. Of the total, R\$ 3 million has been subsidized and R\$ 670,000 is own funds.

COMGÁS APPRENTICE PROGRAM

The Comgás Apprentice program was introduced in 2000 and provides the training and knowledge that young people need to develop social programs and partnerships benefitting their communities. Young people get a unique opportunity to develop through their own efforts.

The initiative includes activities on two fronts: direct training for young people is developed in the city of São Paulo. In the state of São Paulo, public school system teachers are trained in monitoring and dissemination so that students may develop by learning about the tools needed to develop, introduce and monitor community intervention projects.

In 2009, 120 people were trained directly, which resulted in 24 projects being consolidated. About 60 people stayed with the program in the second half of the year for the monitoring part. The dissemination section led to training for 41 teachers at 18 schools, and indirectly benefited 204 young people. Since its inception, the Comgás Apprentice program has trained 2,994 people and 191 teachers from 88 schools, which led to nearly 700 projects being developed by students.

COMGÁS SOCIOCULTURAL SPONSORSHIP FUND

Set up to support cultural projects eligible under Article 18 of the federal law for Cultural Incentives (aka the Rouanet law), the fund sponsored efforts seeking sustainable development in Comgás concession areas. Projects are selected after screening by both outside consultants - involving specialists from various cultural segments - and members of our own staff on a jury applying criteria aligned with Comgás strategy.

Applications for support in 2009 totaled 210 projects, 50% more than the first year and R\$ 1.5 million was invested through the Fund. The eight programs finally selected covered subjects such as short films Querô, dance and citizenship, audiovisual production, workshops for strings, hospital visitors ("clowns"), theater, anime for the community?, and Brazilian cinema.

To ensure the transparency of the process and publicize the winning programs, Comgás developed a website with full details of the Fund and the winning initiatives: (www.fundocomgas.com.br).

GAS MEMORIAL EXHIBITION

Comgás has its operational center for the São Paulo metropolitan region (CORMSP) on the site of the former gasometer complex (locally, Gasômetro). The complex was listed by the Municipal Council for the Preservation of Historical, Cultural and Environment Heritage of the City of São Paulo (CONPRESP) and by the Council for Defense of Historic, Archaeological, Artistic and Tourist Heritage (Condephaat). The complex is also the venue for the

exhibition "Gas Memorial: the future always present", which resulted from a partnership arrangement with the State of São Paulo Energy and Sanitation Foundation. Visitors to the site may see the collection of metering and compressor facilities, there is a time capsule (buried by former employees of Comgás) and panels with photos and documents that record the history of Comgás. In 2009, 3,867 people visited the exhibition, mostly students from elementary schools.

Projects sponsored	Committed		Law
Cultural – Federal			
Movie Augusto Matraga	R\$ 200,000.00		Audiovisual 1A
Mozarteum	R\$ 250,000.00		Rouanet
Villa-Lobos - Sculptures	R\$ 100,000.00		Rouanet
Christmas in Campinas	R\$ 100,000.00		Rouanet
Fund	R\$ 1,500,000.00		Rouanet
Subtotal	R\$ 2,150,000.00		
Funding available	R\$ 2,238,171.27		
Final balance	R\$ 88,171.27		
Cultural – State			
Parque Prado	R\$ 313,913.35		ICMS tax
Subtotal	R\$ 313,913.35		
Social – Federal			
AACD - Association for Assistance to Disabled Children	R\$ 559,000.00		FUMCAD
Total incentives used	R\$ 3,022,913.35		
Direct investment			
Project	2008		2009
Comgás Apprentice	R\$ 1,182,370	£ 351,895*	R\$ 800,000*** £ 237,417**
Gas Memorial	R\$ 293,570	£ 87,372*	R\$ 220,000 £ 65,476*

* £ 100 = R\$ 3.36959

** Use of tax incentives worth R\$ 250,000

*** Of the total amount of R\$ 800,000, R\$ 347,395.10 refers to FUMCAD (equivalent to £103,097). The rest was invested by Comgás.

SUPPLIERS AND OUTSOURCERS

Comgás policy is to train and develop suppliers and outsourcers in order to guide their work right from the selection process. Before asking a company to join its list of partners, Comgás appraises items such as its organizational capability to comply with health and safety standards and respect for environmental and labor legislation. Field visits follow with activities monitored to confirm the capacity and technical level of candidate firms.

After this verification process, if required, Comgás will devise compliance plans. Prospective suppliers are offered the tools they need to develop skills and adopt the procedures required by Comgás. In 2009, Comgás held a workshop for its main requisition units to meet active suppliers and others then at the stage of negotiating contracts in order to evaluate their performance and services they were able provide to high standards of excellence. A document (known as the Installer Development Book) was produced containing all essential information to enable partners to fully comply with Comgás requirements.

Active suppliers are periodically evaluated on aspects such as financial health, and good standing in terms of labor and tax compliance. In 2009,

22 companies (50% of the leading service providers) were submitted to evaluation and monitoring processes. On this basis, Comgás takes a preventive approach and its partners can assist in overcoming any problems or irregularities that may arise. A consulting firm was engaged in 2009 to provide outsourcers with support on administrative and financial issues, such as how to compile cash flow and financial statements. As a means of assisting local development, Comgás favors domestic companies as business partners. In 2009, 95% of procurement processes were directed at suppliers based in Brazil.

The year was also marked by reviews of contracts and inclusion of new categories and segments in the selection of suppliers of materials. Through these measures, without affecting quality in their work, Comgás was able to significantly lower operating costs for support services such as property security, telephony and printing.

As part of Comgás' strategy for growth in the residential market in particular, our procurement staff also standardized kits for internal installations. This initiative not only cuts costs but also ensures safer and more efficient fitting.

CERTIFICATION PROGRAM FOR INSTALLER FIRMS (QUALINSTAL)

Comgás actively participates in a certification program (Qualinstal) designed to ensure quality and safe procedures for the firms installing gas facilities. To obtain even more efficacy, the program introduced an improvement project based on a diagnosis and the presentation of an action plan that was approved in March 2008 and led to a review of certification requirements. In early 2009, the changes were presented to companies and after further audit procedures, they were given a seal of conformity for their installations. This new certification means that the final product delivered to consumers is in perfect condition for use and fully complies with Brazilian standards for installations.

ENTREPRENEURSHIP COURSES (EMPRETEC)

During the year, nine suppliers came to Comgás headquarters for the Empretec seminar, which was taught by specialists from the Micro and Small Firm Support Service (local acronym Sebrae). The program was devised by the United Nations to develop entrepreneurial behavior.

At the request of Comgás and Sebrae, the National Industrial Training Service (local acronym SENAI), analyzed the participating companies in order to verify any progress made through Empretec. A new assessment will be carried out in March 2010.

CUSTOMERS

In order to improve service and customer care, Comgás develops frequent processes to ensure closer and increasingly effective relationships. Users of piped natural gas may access the Call Center or visit help desks personally. There is also an ombudsman to provide additional help.

CONTACT CENTER

The main hotline for Comgás customers is 08000 110 197. In 2009, due to the switch to a new relationship and invoicing system, 400 professionals from Comgás and its business partner Algar attended a training program based on the new tool to strengthen service responses and teamwork. Presence training sessions, campaigns and competitions were held to encourage participation and use of the new system and a laboratory was developed to assist our professionals.

Additionally, Comgás maintains an internal customer link known as “Ligado no Cliente”, a tool that provides greater proximity between its employees and piped gas users. Through the internal service point, employees access real-time monitoring of contacts with customers and develop processes to improve service. Suggestions are centralized in an online database on the Comgás intranet which is available for all employees. The link is part of a program instigating professionals to reflect on situations experienced by consumers and thus develop solutions to raise satisfaction.

PERSONAL SERVICE

There are Comgás personal service posts in São Paulo, Santos and Campinas. Personal service is available at two strategic locations in the city of São Paulo: the São Paulo Metropolitan Region Operational Center (CORMSP) in Brás, opposite the D. Pedro subway station, and on Avenida Paulista, which is easily reached by subway or bus. In Campinas there is a Comgás mall store at Shopping D. Pedro with a showroom for all residential uses of natural gas. In Santos, our personal service facility is at the regional office.

Customers may request various services, such as a new gas connection, a duplicate invoice, technical assistance or pipeline survey data, or sign up for direct debit, or pay a bill using a debit card.

OMBUDSMAN

The Ombudsman has a specialized team to help customers that may not be happy with explanations provided by the Call Center. The unit also records critical or laudatory suggestions involving Comgás services, response, performance or business dealings. In

addition to the toll-free number - 08000 16 16 67 - customers may e-mail ouvidoria@comgas.com.br.

SATISFACTION SURVEY

To ensure excellence for its customer service, Comgás has been using independent consulting services to conduct customer satisfaction surveys for the last ten years, based on methodology determined by ARSESP (regulatory agency). In 2009, 86% of natural gas consumers said they were satisfied with the services of Comgás. This is one of the highest levels among public utility concession holders, even after a fall of six percentage points compared with the 2008 survey. The result reflected the switch to the new invoicing and servicing system currently in the process of stabilization and adjustment, which will ensure that the growing consumer base enjoys better and more efficient service. In 2009, the survey covered a sample of 601 customers, of whom 402 were residential, 99 commercial and 100 industrial.

GOVERNMENT AND SOCIETY

To assist in the development, implementation and monitoring of public initiatives and policies encouraging the development of the natural gas industry, Comgás believes it has a strategic role to play in the industry's leading national and international associations. We are on the committee of the Brazilian Association of Gas Distributors (Abegás), involved in the strategic decisions council and Comgás occupies the vice-presidency of the Brazilian Association of Infrastructure and Basic Industry (local acronym Abdib). Comgás is also part of the coordinating body for Latin America of the International Gas Union and represents São Paulo gas distributors on the Energy advisory council of the State of São Paulo Sanitation and Energy Regulatory Agency (ARSESP).

In 2009, represented by Abegás, Comgás participated actively in the work of the State of São Paulo Special Oil and Natural Gas Committee (local acronym Cespeg). Through the work of various commissions, the aim of the initiative was to analyze the impacts of oil and natural gas in the Santos Basin on the coast of São Paulo, and propose actions for developing this activity in the state. The company's activities focused on fundamental aspects for its operations. Comgás participated in a committee to discuss sustainable

alternatives for the expansion of natural gas in the energy matrix of the state of São Paulo, through transportation projects such as gas buses and HVAC. The results from the commissions' work were brought together in a single document to be presented to José Serra, the governor of São Paulo. The purpose is to maximize the economic and social benefits of exploration and production of oil and natural gas, strengthen and enhance São Paulo's industrial infrastructure and expand research and technological innovation in the industry.

Comgás also acted to favor projects for the improvement and regulation of municipal and federal laws. In São Paulo's municipal council, a document was submitted suggesting an amendment to a bill sponsored by councilman Zelão (PT) calling for natural gas and biodiesel to be used instead of diesel oil when installing generators in tall buildings in São Paulo. There is also ongoing discussion of aspects of the constitutional validity of municipal legislation on fees charged for the use of subsoil.

Comgás has been involved in negotiations and discussions related to the Gas Law for the past four years. The measure was enacted in February 2009 and is now in the process of being supplemented with regulations.

ANTI-CORRUPTION MEASURES

Comgás develops anti-corruption policies and provides training systematically for all employees. The subject is addressed in our Business Principles and Comgás sees this as a fundamental value.

In light of the importance of anti-corruption measures, Comgás compiled and circulated new principles for its staff in 2009. The documents seek to build

and manage institutional relationships between employees and stakeholders, advise professionals on dealing with situations involving corruption and instruct them on preventive behaviors to preserve the integrity and image of Comgás. They also ensure ethical conduct of employees through Comgás corporate principles, which include a commitment to not tolerate any form of corruption, directly or indirectly.

Comgás has representatives in a number of natural gas sector associations, to enable the company to contribute toward increased supply matrix and enable it to work in benefit of regulatory projects on a state and federal level.

MARKETING AND COMMUNICATIONS

In 2009, Comgás participated in a series of events to promote brand awareness and use of piped natural gas for various audiences and market segments.

Some of the principal campaigns:

Santos Arquidecor: This decoration exhibition held in Santos was sponsored by Comgás for the third consecutive year. Architects for 13 of the 44 ambiances shown decided to use piped natural gas for heating fireplaces, stoves, illumination, underfloor heating and heated towel rails.

Campinas Decor: Comgás sponsored the 14th Campinas Decor event for the fourth consecutive time, featuring use of natural gas in 15 of the 78 spaces comprising the event, in fireplaces, decorative torches and underfloor heating, hot showers, taps and swimming pools.

Master Real Estate Award: One of the top events in the real estate sector, the award was sponsored by Comgás for the second consecutive year. Master Real Estate awards are based on best practices in the real estate market and innovation. Comgás aims to be present at this event where the leading real estate players gather in order to associate its brand with the best projects..

International Coating Fair (Revestir):

Sponsored by Comgás for the third consecutive year, the Coating Fair (Revestir) strengthened relationships with the National Association of Ceramic Tile Manufacturers (local acronym ANFACER), an organization that represents many industrial customers using piped natural gas.

Comgás aims to be present at this event where the leading real estate players gather in order to associate its brand with the best projects.

International Supplier and Ceramics Conference (Forn&Cer):

This business event brought together several companies in the segment. Comgás initiatives were undertaken with the São Paulo Association of Ceramic Coating (ASPAC), a body that brings together a significant proportion of industrial customers.

Ceramic Merit Award: As a sponsor of the 7th Ceramics Merit Award held by ASPAC, Comgás obtained brand exposure in communication for the event.

INFRA Congress: For the 4th consecutive year, Comgás participated in the Brazilian event for facilities managers, and publicized the use of natural gas for air conditioning (HVAC), and in electric generation and cogeneration.

Major Commercial/Office

Campaign: To boost its outreach to major commercial/office customers - such as malls, universities, hospitals and office buildings - Comgás developed a media campaign showing natural gas solutions and benefits, including customized projects for its customers.

Catering fair - Restaubar:

A Restaubar Show is one of the largest trade events for buyers, managers and proprietors of bars, restaurants and nightclubs. Through its participation, Comgás worked for closer relations with this segment and with opinion leaders in the industry.

Neighborhood enveloping

campaigns: The main objective of the initiative was to announce Comgás' arrival in a new region. The main commercial/office buildings or companies in a new region are sent products featuring the Comgás brand. Pizzerias, for example, are given customized pizza packaging; bakeries get paper/plastic bread bags and other items.

Flowers for You: Before starting to do business in certain areas, Comgás sends uniformed sales promoters to distribute leaflets and sunflowers to local residences. The initiative started in 2008 and struck a chord with residents, thus boosting Comgás sales in 2009.

Third most remembered brand in

Santos: Through a market research firm, Comgás conducted a study of Santos residents to evaluate the effectiveness of its communication initiatives locally. The result exceeded expectations: Comgás was placed third among the most remembered brands, and the advertising investment of the first- and second-placed companies was three to ten times greater than ours.

Tenth Anniversary of Gas

Privatization: To celebrate the 10th anniversary of its privatization, Comgás published a book on the ten years under new management summarizing the progress made by Comgás in the period. The publication highlights management practices, modernized operations, markets targeted and awards earned.

Focusing on the new services for distributing piped natural gas to the residential segment and the benefits of the product, Comgás ran a campaign through local media and an event for building caretakers. In Mogi das Cruzes and São Vicente, press conferences were attended by Comgás executives and local authorities.

New areas served - Mogi das

Cruzes and São Vicente: In Mogi das Cruzes, Comgás ran a campaign - focusing on the new services for distributing piped natural gas to the residential segment and the benefits of the product - through local media and an event for building caretakers. In Mogi das Cruzes and São Vicente, press conferences were attended by Comgás executives and local authorities.

Celebrity engaged - Ana Maria

Braga: At the end of 2009, Comgás signed an agreement with Ana Maria Braga, the host of the TV Globo program Mais Você. She will be involved with the main Comgás campaigns in the course of 2010.

Breakfast hamper campaign:

Solution to facilitate relationships with caretakers working in buildings supplied by Comgás in Campinas. Comgás delivered breakfast hampers to caretakers based on the concept of Comgás “pepping up” building management.

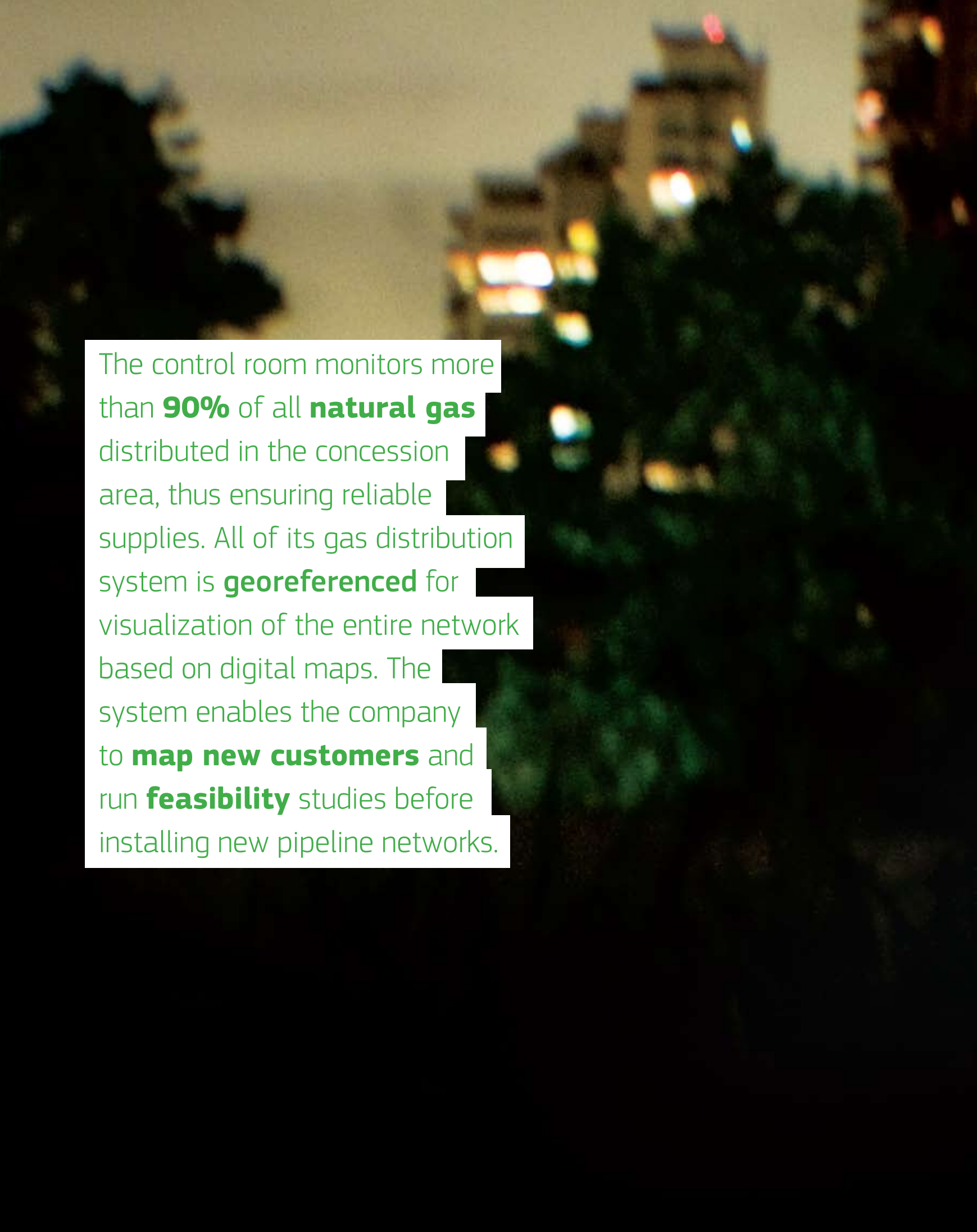
Sinduscon (building trade association):

Participation in this event is part of the strategy for more contact with construction firms to strengthen our relationship with Sinduscon. Comgás gave a talk on the company and the benefits of natural gas.









The control room monitors more than **90%** of all **natural gas** distributed in the concession area, thus ensuring reliable supplies. All of its gas distribution system is **georeferenced** for visualization of the entire network based on digital maps. The system enables the company to **map new customers** and run **feasibility** studies before installing new pipeline networks.

Comgás uses **leading
edge technology** in its
everyday operations.



ENVIRONMENTAL

man

age

ment

Comgás has a sound environmental management system that determines best practices for activities in all internal units.

In 2009, it obtained ISO 14001 recertification for the environment, with zero non-compliance and few recommendations for improvement. Its environmental protection policy extended to suppliers and business partners through recommendations, and to employees, through awareness campaigns. In 2009, we invested R\$ 3,87 million to enhance the organization's environmental performance, of which:

BIODIVERSITY

The impacts arising from installing natural gas pipelines are indirect and not very significant for the environment. Company policy prioritizes installation of pipelines in areas modified by direct human action and preferably routes along paved public roads or non-buildable strips along highways, which minimizes impact on soil and vegetation. No pipeline networks were located in areas of Environmental Protection (APAs) in 2009.

There are very few interventions in protected areas and when necessary, they are first appraised and approved through reports and technical analyses made by the competent agencies (São Paulo Environmental Company, the state's departments for the Environment, Protection of Natural Resources, and Occupation and Use of Soil, and the Forestry Foundation). Comgás uses technology to minimize impact on these sites.

One example is the use of directional drilling as a non-destructive method for going through tracts of water without suppressing local vegetation.

In 2009, due to its interventions in areas designated "Permanent Preservation", Comgás signed 21 Environmental Restoration agreements which must be fulfilled within two years. There are 75 currently in progress. Although gas pipeline installations do not damage vegetation, Comgás compensates by planting native rainforest species. For better results, effective monitoring and maintenance for the promotion of sustainable management, a partnership with SOS Mata Atlantica Foundation was signed in 2006 enabling the trees to be planted at one single site. Since then, Comgás has backed revegetation for 35 hectares. This number refers to all planting efforts made by Comgás including Itatiba, where some 58,000 native species seedlings were planted. To broaden the environmental significance of its actions, it plans to become a partner of the São Paulo state government's Riparian Forest Program for restoring degraded riparian forests.

In addition to the statutory requirement, Comgás makes voluntary offsetting commitments with municipalities in order to recompose local vegetation. In 2009, for example, seedlings of species native to the city of Santo André were donated as offset for valve maintenance work.

ENVIRONMENTAL COSTS 2009

	Value (R\$)
Waste and emissions	
Waste treatment and disposal	800,000.00
Full cleanup costs, including spill remediation	2,096,955.28
Subtotal waste and emissions	2,896,955.28
Prevention and environmental management	
External certification of management systems	21,000.00
Research and Development	956,250.00
Subtotal prevention and environmental management	977,250.00
Total	3,874,205.28

LOCATION OF PIPELINE NETWORKS*

	Area (km ²)	Attribute (Value of biodiversity)	Location (city/state)
Own, leased or managed land in protected areas and/or high biodiversity areas	0.001761	Permanent Preservation Area (APP) in anthropized area	Public roads in the municipalities of the concession area - state of São Paulo
Size of own lands, leased areas, or managed areas adjacent to protected and/or high biodiversity	Thoroughfares	Environmental Protection Area (APA), Spring Protection Area (APM) and State Park (PE) of Serra do Mar	Amparo, Barueri, Bragança Paulista, Cajamar, Cubatão, Embu-Guaçu, Itaquaquecetuba, Jaguariuna, Jundiaí, Limeira, Mogi das Cruzes, Osasco, São Paulo, São Bernardo do Campo, Rio Grande da Serra and Suzano

* Pipelines installed in conservation areas since the company started operating

REMEDIATION

In 2009, Comgás completed soil remediation of a site in Mooca, on which piped gas, from naphta, had been produced for several decades. The remediation process began on 2004 and the process was developed in stages as evacuation of the area allowed the work to progress while ensuring the safety of the public and employees. The entire process followed renowned practices, acknowledged by appropriate environmental agencies, who were informed of the actions taken and results achieved. Comgás inspects the site every six months to monitor and verify the effectiveness of decontamination measures and to obtain certification showing that the area has been recovered and is fit for use.

RATIONAL CONSUMPTION

Comgás is continually developing internal projects and campaigns to reduce consumption of electricity, water and paper. The São Paulo Metropolitan Region Operational Center (CORMSP) has a cogeneration system and 80% of the unit's consumption is provided by natural gas. In 2009, consumption of energy at Comgás units was reduced by 6% from hydroelectric sources and 46% from natural gas generation.

Consumption of water showed a slight increase of 4%, despite using taps with timer devices and recycling rainwater. The increase was due to a soil remediation plan at the Mooca unit and a leak from the fire prevention

facility at the site, construction work at the Osasco storage facility, the opening of a base in Santo André, and new offices for operations in Campinas and on Rua da Alfândega in São Paulo. In 2009, Comgás discharged 15,840 m³ of treated sewage into the public sewers of São Paulo. Rainwater collected were estimated in 7,920 m³ in the year, all of which was consumed by Comgás.

To cut back on use of paper, Comgás raised awareness of employees in relation to reuse, recycled consumables, and reducing the number of copies by switching to electronic files. In 2009, for example, the Contract Programming and Management unit (OPG) cut 80% off the number of printouts of purchase orders, service orders and remittance forms used in the process of developing executive designs for engineering. A total of about 700 printouts per month were saved by sending documents to engineers by e-mail.

SELECTIVE WASTE COLLECTION

Selective collection has been part of Comgás routine since 2002. A group of employees sort waste materials to be separated and sold to Multilixo. Proceeds are applied to class 1 waste - batteries, mobile batteries, fluorescent lamps, and others - and sent to Contencom, a processing center in Rio de Janeiro. At its bases located in the interior of the state (the Campinas region) and Santos, Comgás also engages Multilixo for

DIRECT ENERGY CONSUMPTION BROKEN DOWN BY SOURCE OF ENERGY

Year	Hydroelectric (kWh)	Natural Gas (m ³)
2006	23,88819	35,049
2007	27,17940	22,928
2008	31,95682	288,911
2009	30,03987	156,806

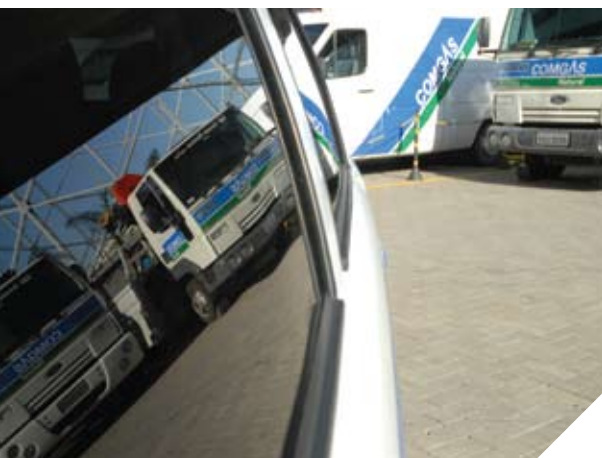
TOTAL WATER USED

Year	Volume (m ³)
2006	18,675
2007	17,467
2008	15,571
2009	16,188

* Comgás does not yet have a water discharge meter. The estimate was calculated on the following assumptions:

Estimated consumption per day / employee = 60 liters (toilet bowl)

Consumption per year = 0.06 m³ x 500 employees x 264 days = 7,920 m³



SOLID WASTE BY WEIGHT AND DISPOSAL (2009)

	Quantity (t)	Disposal method
Hazardous waste	1.459	Processing
Hazardous waste	1.46	Class I Industrial Landfill
Hazardous waste	0.033	Incineration
Hazardous waste	3.38	Reprocessing
Non-hazardous waste (including building-site rubble)	373.04	Class II Industrial Landfill
Non-hazardous waste (excluding rubble)	291.8	Class II Industrial Landfill
Building-site rubble	81.24	Class II Industrial Landfill
Recyclable waste	248.35	Recycling

selective collection and ensuring proper disposal. At the Paraíba Valley units, the company works in partnership with local municipalities for proper disposal of garbage and selective waste recycling.

Comgás production processes generate some waste classified as hazardous which is sent to cement makers for processing (burning) in blast furnaces. The main items are dust from cleaning filters; mercapto residues; batteries; materials contaminated with oil, grease, paint and solvents; lamps; laboratory reagents; anaerobic resin; effluent from filter washing.

ENVIRONMENT

To celebrate Environment Week, from July 1st to 5th, and educate employees on the importance of conservation, Comgás held a photographic competition Clean and Safe Home Day - the subject was "This is the

environment I want!". The first initiative resulted in the collection of 849 kg of paper and 44 kg of plastic for recycling, and 73 kg of office supplies donated to the Don Bosco social assistance organization in Itaquera, city of São Paulo. The photographic contest stimulated reflection on environmental responsibility, and a bonsai was given to the three pictures that best represented the ideal environment or the attitudes needed to get there.

EMISSIONS

In 2009, Comgás invested R\$ 30.1 million to renovate 47.9 km of cast iron piping, which led to environmental benefits for society as a whole. Cast iron piping is prone to fissures and cracks, and these pipes are mainly responsible for emissions due to natural gas leakage. By changing them, the Company avoided atmospheric emissions equivalent to 2,391 tons of CO₂.

COMGÁS - TOTAL GHG EMISSIONS (CO₂ EQUIVALENT TONS)

2007	95,977
2008	111,420*
2009	119,418

*The final value final stated the 2008 report was an estimate

METHANE EMISSIONS (TONS)

2007	4,504
2008	5,237*
2009	5,629

* The final value final stated the 2008 report was an estimate

COMGÁS FLEET – FUEL CONSUMED

Petrol (l)	77,657
Alcohol (l)	266,811
Diesel (l)	104,851
CNG (m ³)	246,595
Total kms driven	5,979,006

VEHICLES AND CARPOOLING

In order to reduce use of fuel, Comgás renews its fleet of vehicles each year and encourages the use of NGV.

In 2009, the total fleet of vehicles consisted of 383 cars, of which 132 were acquired in the same year, and they traveled approximately 6 million kilometers. Due to their consumption of fuel, excluding alcohol, they emitted 951.33 tons of CO₂ in the period.

An internal campaign also encourages carpooling among employees. The intranet shows a constantly updated system with records of those who wish to join the pool and thus help improve air quality and traffic conditions while saving by sharing fuel and parking costs.



IBASE INDICATORS

1. Base of calculation	2008			2009		
	Amount (BRL k)			Amount (BRL k)		
Net Income (NI)	3,989,000.00			3,884,000.00		
Operating income (OI)	900,045.00			668,165.00		
Gross Payroll (GP)	111.02			111.77		
2. Internal social indicators	Amount (BRL k)	% on GP	% on NI	Amount (BRL k)	% on GP	% on NI
Food items	6,689	6	0.17	7,819	7	0.20
Compulsory social contributions	35,561	32	0.89	28,146	25.2	0.72
Private Pension	3,365	3	0.08	3,873	3.5	0.09
Health	9,828	9	0.24	11,439	10.2	0.29
Health & Safety at work	–	–	–	–	–	–
Education	–	–	–	–	–	–
Culture	–	–	–	–	–	–
Qualification and professional development	3,002	2.7	0.07	1,922	1.7	0
Nursery or nursery benefit	148	0.1	0.003	179.3	0.2	0.005
Profit/Gain sharing	20,592	18.5	0.51	17,700	15.9	0.456
Other	1,483	1.3	0.03	1,003	0.9	0.0261
Total - internal social indicators	80,669	72.7	2.02	72,117	64.5	1.857
3. External social indicators	Amount (BRL k)	% on OI	% on NI	Amount (BRL k)	% on OI	% sobre NI
Education	1,734	0.19	0.043	1,020	0.15	0.026
Culture	293.5	0.32	0.007	–	–	–
Heath and sanitation	–	–	–	–	–	–
Sports	–	–	–	–	–	–
Fight against hunger and food safety	–	–	–	–	–	–
Other	–	–	–	–	–	–
Total contributions to society	2,027.5	0.22	0.05	1,020	0.15	0.026
Taxes (excluding social contributions)	–	–	–	–	–	–
Total - external social indicators	2,027.5	0.22	0.05	1,020	0.15	0.026
4. Environmental indicators	Amount (BRL k)	% on OI	% on NI	Amount (BRL k)	% on OI	% on NI
Investments related to production/operation of the company	38	0.004	0	21	0.003	0.001
Investments in external programs and/or projects	124	0.013	0.003	–	–	–
Total investments in the environment	162	0.018	0.004	21	0.003	0.001
Concerning the definition of annual targets to minimize residues, the consumption in general in the production/operation and increase of efficiency in the use of natural resources, the company:	has no targets defined [x] 51 to 75% achievement [] 0 to 50% achievement [] 76 to 100% achievement []			has no targets defined [x] 51 to 75% achievement [] 0 to 50% achievement [] 76 to 100% achievement []		

5. Personnel indicators		2008	2009
No. of employees at the end of the period		952	948
No. of admissions during the period		155	88
No. of outsourced employees		3.123	3.543
No. of trainees		101	78
No. employees over 45 years old		192	215
No. of women working in the company		309	291
% of leadership roles occupied by women		24.8	24.8
No. of black people working in the company		97	98
% of leadership roles occupied by black people		0.8	1.5
No. of people with disability or special needs		38	40
6. Information referring to the exercise of corporate citizenship		2009	Targets for 2010
Difference between highest and lowest remuneration in the company		-	57.4 times bigger
Total number of work-related accidents		19	0
The social and environmental projects developed by the company were defined by:	board [] board and management [x] all employees []		board [] board and management [x] all employees []
The standards of security and salubrity in the workplace were defined by:	board and management [x] all employees [] all personnel + Cipa []		board and management [x] all employees [] all personnel + Cipa []
Concerning trade-union freedom, the right of collective negotiation and internal representation of workers, the company:	board [] board and management [] all employees [x]		will not get involved [] will follow OIT norms [] will motivate and follow OIT norms [x]
Private Pension is for:	does not get involved [] follows OIT norms [] motivates and follows OIT norms [x]		board [] board and management [] all employees []
Profit/Gain sharing is for:	board [] board and management [] all employees [x]		board [] board and management [] all employees []
In the selection of suppliers, the same ethical standards and of social and environmental responsibility adopted by the company:	are not considered [] are suggested [] are required [x]		will not be considered [] will be suggested [] will be required [x]
Concerning the participation of employees in voluntary work programmes, the company:	does not get involved [] supports [] organizes and motivates [x]		will not get involved [] will support [] will organize and motivate [x]
Total number of complaints and comments from consumers:	in company 4488 at Procon 367 Lawsuits 976		in company 86652 at Procon 674 Lawsuits 130
% of complaints and comments resolved:	in company 100% at Procon 100% Lawsuits 46%		in company - at Procon 77% Lawsuits 20%
Total value added for distribution (in BRL k):		-	R\$ 1,410,000.00
Distribution of Value Added (DVA):	government 42% collaborators 7% shareholders 10% third parties 13% retained 28%		government 51% collaborators 7% shareholders 7% third parties 16% retained 19%

GRI

Summary

GENERAL INDICATORS

		Page
Strategy and Analysis		
1.1	Declaration on relevance of sustainability for the company	23, 25
1.2	Description of key impacts, risks and opportunities	16-19 50-55
Organizational Profile		
2.1	Name of the organization	10-12
2.2	Primary brands, products and/or services	10-12
2.3	Operational structure	10-12
2.4	Location of headquarters	São Paulo
2.5	Number of countries in which it operates	10-12
2.6	Nature of ownership and legal form	10-12
2.7	Markets Served	10-12
2.8	Scale of the organization	15
2.9	Significant changes relating to size, structure or stock ownership	10-12
2.10	Awards received in the period	70-73
Perfil do Relatório		
3.1	Reporting period	7
3.2	Date of previous report	7
3.3	Reporting emission cycle	7
3.4	Contact information	7
Report scope and boundary		
3.5	Process for defining content	7
3.6	Boundary of the report	7
3.7	Limitations on scope or boundary	7
3.8	Basis for reporting joint ventures and subsidiaries	7
3.9	Data measurement techniques	7
3.10	Reformulations of previously published information	7
3.11	Changes in scope, boundary or measurement method	7
3.12	GRI content index	135
Assurance		
3.13	External assurance for the report	Comgás does not conduct audits in its Annual Report.

Governance, Commitments and Engagement

Governance

4.1	Governance structure	30-41
4.2	State whether the chair of the board is also an executive officer	30-41
4.3	Number of independent or non-executive members	30-41
4.6	Processes to avoid conflicts of interest	30-41
4.8	Mission and values, codes of conduct and internal principles	14

Commitments to external initiatives

4.11	Application of the precautionary principle	50-55
4.12	External charters, principles or other initiatives	Comgás does not endorse such initiatives nor is it associated with social entities. Its performance in the field involves projects and initiatives aimed at developing localities in its concession area
4.13	Membership in associations	114-115

Stakeholder engagement

4.14	List of groups engaged	94-102 106-118
4.15	Basis for identification and selection	

PERFORMANCE INDICATORS

Economic Performance

EC1	Direct economic value generated and distributed	98-92
EC3	Coverage of pension obligations	94-102

Market presence

EC5	Ratio of lowest wage to local minimum wage	94-102
EC6	Policies and spending - local suppliers	
EC7	Procedures for local hiring	Recruitment for Comgás is based on employee capability. The Company does not have procedures for local hiring

Indirect economic impacts

EC8	Investments in infrastructure for public benefit	107-110
-----	--	---------

Environmental Performance

Energy

EN3	Direct energy consumption	124-130
EN4	Indirect energy consumption	There is no use of indirect energy by Company units
EN7	Initiatives to reduce indirect energy consumption	There is no use of indirect energy by Company units

Water

EN8	Total water by source	124-130
EN10	Recycled and reused water	124-130

Biodiversity

EN11	Location and size of land owned	124-130
EN12	Significant impacts on biodiversity	124-130
EN13	Habitats protected or restored	124-130
EN14	Managing impacts on biodiversity	124-130
EN15	Number of endangered species endangered species listed in the IUCN in Comgás concession area	There are not

Emissions, effluents and waste

EN16	Total direct and indirect greenhouse gas emissions	124-130
EN17	Other indirect emissions	Comgás does not calculate indirect emissions of greenhouse gases
EN18	Initiatives to reduce emissions	124-130
EN19	Emissions of ozone-depleting substances	124-130
EN20	NOx, SOx and other atmospheric emissions	124-130
EN21	Total water discharge	124-130
EN22	Total weight of waste	124-130
EN24	Waste transported	Comgás does not transport waste classed as hazardous under the Basel Convention

Products and services

EN26	Initiatives to mitigate environmental impacts of products and services	124-130
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Compliance

EN28	Monetary value of significant fines	In 2009, there were no significant fines for irregularities in environmental management
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Transport

EN29	Impacts of transport	124-130
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General

EN30	Investments and spending on environmental protection	124-130
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Labor Practices and Decent Work**Employment**

LA1	Workforce by type of employment, contract and region	94-102
LA2	Employee turnover	94-102
LA3	Benefits not offered to temporary or part-time employees	94-102

Labor / Management Relations

LA4	Employees covered by collective bargaining agreements	94-102
LA5	Minimum notice period for operational changes	Employees are informed of operational changes through Comgás formal channels of communication. The period varies depending on the process

Occupational health and safety

LA6	Representation on health and safety committees	94-102
LA7	Injuries and occupational diseases	94-102
LA9	Health and safety topics covered in collective agreements	The collective agreements signed by Comgás cover matters relating to employee health and safety. All matters agreed are covered by OHS policy and are part of the Company's management system

Training and education

LA10	Hours training per employee by category	94-102
LA11	Skills management and lifelong learning programs	94-102
LA12	Performance reviews	94-102

Diversity and equal opportunities

LA13	Composition of governance bodies	30-41
LA14	Ratio of men's salary to women's	94-102

Human Rights**Investment and procurement practices**

HR2	Contracts with suppliers include human rights clauses	Contracts do not include human rights clauses. Before hiring, Comgás examines issues such as organizational capacity to meet health and safety standards and respect for environmental and labor laws
-----	---	---

Non-discrimination

HR4	Cases of discrimination and measures taken	There were no cases of discrimination in Comgás in 2009
-----	--	---

Child labor

HR6	Operations posing significant risk of child labor	Comgás did not detect child labor risk among its suppliers. These partners are regularly submitted to qualification requirements that include corporate social responsibility
-----	---	---

Forced and compulsory labor

HR7	Operations posing risk for forced labor	Comgás did not detect in its activities or in relationships with suppliers any potential risk of occurrence of forced labor
-----	---	---

Indigenous rights

HR9	Violation of rights of indigenous peoples	There were no cases of violation of the rights of indigenous peoples in the period
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Society**Community**

SO1	Management of impact of operations on communities	107-110
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Corruption

SO2	Assessment of corruption-related risk	114-115
SO3	Training in anti-corruption policies	114-115
SO4	Measures taken in response to cases of corruption	No cases of corruption have been registered in Comgás since its privatization

Public Policy

SO5	Participation in public policy development and lobbying	114-115
SO6	Contributions to political parties	Every company providing public service is prohibited by law from contributing to political parties. The measure is described in Comgás Business Principles

Anti-competitive behavior

SO7	Legal actions for anti-competitive behavior, anti-trust or monopoly practices	Comgás was not involved in actions of this type in the period
-----	---	---

Compliance

SO8	Fines and non-monetary sanctions for non-compliance with laws and regulations	The Company has not been fined or had non-monetary sanctions applied for non-compliance with laws and regulations in 2009
-----	---	---

Product Responsibility**Labeling products and services**

PR3	Labeling requirement and procedures	
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There is no labeling for distributing and marketing natural gas

PR4	Non-compliance in relation to labeling	
PR5	Customer satisfaction related practices and surveys	112-113

Marketing communications

PR6	Programs for adherence to laws, standards and voluntary codes	Comgás does not adhere to marketing regulation programs or codes. The Company conducts its communication on the basis of ethics and respect for all its target audiences and relationships
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Financial Statements

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Report of independent auditors

The Management and Shareholders of Companhia de Gás de São Paulo – COMGÁS

1. We have audited the accompanying balance sheets of Companhia de Gás de São Paulo – COMGÁS as of December 31, 2009, and the related statements of income, shareholders' equity and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

2. We conducted our audits in accordance with auditing standards generally accepted in Brazil which comprised: (a) the planning of the work, taking into consideration the materiality of balances, the volume of transactions and the accounting and internal control systems of the Company; (b) the examination, on a test basis, of the evidence and records supporting the amounts and disclosures in the financial statements; and (c) an assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall financial statement presentation.

3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Companhia de Gás de São Paulo – COMGÁS at December 31, 2009 and 2008, the results of its operations, the changes in its shareholders' equity, its cash flows and value added in operations for the years then ended, in accordance with accounting practices adopted in Brazil.

São Paulo, January 31, 2010.

ERNST & YOUNG

Auditores Independentes S.S.
CRC-2SP015199/O-6

Luciano Neris

Accountant CRC-1PA007729/O-8-S-SP

COMPANHIA DE GÁS DE SÃO PAULO – COMGÁS

BALANCE SHEETS DECEMBER 31, 2009 AND 2008 (IN THOUSANDS OF REAIS)

	2009	2008
Current assets		
Cash and cash equivalents	194,273	39,726
Gas bills receivable (Note 4)	457,630	502,682
Cost of gas recoverable/ (to be passed on) (Note 5)	29,349	528,289
Other accounts receivable (Note 6)	56,794	68,402
Allowance for doubtful accounts (Note 4)	(46,558)	(31,806)
Inventories (Note 7)	63,684	34,986
Taxes recoverable (Note 8)	126,097	144,646
Other current assets	18,041	14,874
Prepaid expenses	576	447
Total current assets	899,886	1,302,246
Noncurrent		
Deferred income and social contribution taxes (Note 10)	76,613	66,629
Value-added tax on sales and services (ICMS) (Note 10)	9,674	9,859
Accounts receivable (Note 9)	3,992	4,325
Judicial deposits	11,687	10,806
Others	2,185	1,305
	104,151	92,924
Fixed assets, Net (Note 11)	2,445,146	2,322,809
Intangible assets (Note 12)	380,000	294,540
	2,825,146	2,617,349
Total noncurrent assets	2,929,297	2,710,273
Total assets	3,829,183	4,012,519

See accompanying notes.

	2009	2008
Liabilities and shareholders' equity		
Current liabilities		
Loans and financing (Note 13)	616,186	574,068
Debentures (14)	4,029	6,070
Suppliers (Note 15)	408,344	645,660
Payables to parent companies (Note 16)	9,638	10,594
Salaries and wages payable	36,265	37,646
Contribution taxes	67,954	50,604
Dividends payable	32,105	129,107
Provision for income and social contribution taxes	138,825	213,145
Other current liabilities	8,446	12,611
Total current liabilities	1,321,792	1,679,505
Long-term liabilities		
Loans and financings (Note 13)	929,894	904,132
Debentures (14)	100,000	100,000
Advances from customers and others	29,473	29,968
Post-employment benefits (Note 18)	124,129	117,629
Provision for contingencies (Note 17)	39,123	37,307
Deferred income and social contribution taxes (Note 19)	5,659	6,897
Total long-term liabilities	1,228,278	1,195,933
Shareholders' equity (Note 20)		
Paid-up capital	636,863	326,570
Capital reserve	25,661	84,147
Revaluation reserve	17,345	18,751
Retained earnings	599,244	707,613
Total shareholders' equity	1,279,113	1,137,081
Total liabilities and shareholders' equity	3,829,183	4,012,519

See accompanying notes.

COMPANHIA DE GÁS DE SÃO PAULO – COMGÁS

STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008
(IN THOUSANDS OF REAIS)

	2009	2008
Gross sales and/or services (Note 21)	4,942,784	5,019,267
Gas sales	4,917,287	4,999,759
Others	25,497	19,508
Taxes and contributions on sales	(1,058,362)	(1,030,193)
Net sales and/or services	3,884,422	3,989,074
Cost of sales	(2,737,365)	(2,622,738)
Cost of gas	(2,367,500)	(2,192,775)
Transportation and others	(369,865)	(429,963)
Gross profit	1,147,057	1,366,336
Selling, general and administrative expenses	(478,892)	(466,291)
Selling	(96,397)	(85,451)
General and administrative	(212,421)	(245,894)
Amortization and depreciation	(170,074)	(134,946)
Profit before financial income (expenses)	668,165	900,045
Financial expenses, Net (Note 22)	(215,212)	(122,159)
Financial income	59,684	41,161
Financial expenses	(274,896)	(163,320)
Other operating expenses (income)	(30,491)	(61,285)
Operating profit	422,462	716,601
Income before taxation	422,462	716,601
Social contribution tax (Note 24)	(34,888)	(55,754)
Income tax (Note 24)	(88,205)	(146,802)
Reversal of interest on equity capital	68,498	-
Net income for the year	367,867	514,045
Earnings per share	3,0701	4,2900

See accompanying notes.

COMPANHIA DE GÁS DE SÃO PAULO – COMGÁS

STATEMENTS OF VALUE ADDED YEARS ENDED DECEMBER 31, 2009 AND 2008 (IN THOUSANDS OF REAIS)

	2009	2008
1. Revenues	5,006,134	5,100,557
1.1. Revenue from sale of gas	5,003,985	5,091,778
1.2. Other operating revenues	25,497	19,508
1.3. Allowance for doubtful accounts	(17,228)	(7,929)
1.4. Other (expenses) revenues	(6,120)	(2,800)
2. Costs and expenses	(3,465,055)	(3,593,242)
2.1. Cost of gas and shipment	(3,317,890)	(3,429,370)
2.2. Costs of products and services sold	(12,665)	(7,867)
2.3. Materials, services and other expenses	(134,500)	(156,005)
3. Gross added value (1 + 2)	1,541,079	1,507,315
4. Retentions	(194,444)	(193,430)
4.1. Depreciation and amortization	(170,074)	(134,946)
4.2. Goodwill amortization	(24,370)	(58,484)
5. Net added value generated by the Company (3 + 4)	1,346,635	1,313,885
6. Transferred added value received	59,684	41,160
6.1. Financial revenues	59,684	41,160
7. Added value to be distributed (5 + 6)	1,406,319	1,355,045
8. Distribution of added value	1,406,319	1,355,045
8.1. Salaries and social charges	101,639	96,254
8.2. Taxes, levies and contributions	715,418	568,479
8.3. Financial expenses and rentals	221,395	176,266
8.4. Dividends	28,101	128,838
8.5. Interest on equity capital	68,498	-
8.6. (Shareholders) Retained earnings	271,268	385,208

See accompanying notes.

COMPANHIA DE GÁS DE SÃO PAULO – COMGÁS

STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(IN THOUSANDS OF REAIS)

	Capital reserves			
	Capital	Tax incentive reserve	Reserve for future capital increase	Special goodwill reserve
Balances at December 31, 2007	326,278	1,201	58,576	82,854
Shares subscription	292	-	(292)	-
Redemption of preferred shares class "B"	-	-	292	(58,484)
Realization of revaluation reserve	-	-	-	-
Income and social contribution taxes on realization of revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Appropriation of income				
Legal reserve	-	-	-	-
Dividends paid	-	-	-	-
Dividends proposed	-	-	-	-
Dividends prescribed	-	-	-	-
Retained earnings	-	-	-	-
Adjustments for compliance with Law No. 11638/07	-	-	-	-
Balances at December 31, 2008	326,570	1,201	58,576	24,370
Shares subscription	293	-	(293)	-
Redemption of preferred shares class "B"	-	-	(33,823)	(24,370)
Capital contribution	310,000			
Realization of revaluation reserve	-	-	-	-
Income and social contribution taxes on realization of revaluation reserve	-	-	-	-
Net income for the year	-	-	-	-
Appropriation of income				
Legal reserve	-	-	-	-
Dividends paid	-	-	-	-
Dividends proposed	-	-	-	-
Interest on equity capital	-	-	-	-
Retained earnings	-	-	-	-
Balances at December 31, 2009	636,863	1,201	24,460	-

See accompanying notes.

Revaluation Reserve	Income reserve			Total
	Legal reserve	Profit retention	Retained earnings	
20,115	65,255	522,195	-	1,076,474
-	-	-	-	-
-	-	-	-	(58,192)
(2,066)	-	-	2,066	-
702	-	-	(702)	-
-	-	-	514,045	514,045
-	58	-	(58)	-
-	-	(262,024)	-	(262,024)
-	-	-	(128,838)	(128,838)
-	-	-	64	64
-	-	382,129	(382,129)	-
-	-	-	(4,448)	(4,448)
18,751	65,313	642,300	-	1,137,081
-	-	-	-	-
-	-	-	-	(58,193)
	(49,828)	(260,172)		-
(2,130)	-	-	2,130	-
724	-	-	(724)	-
-	-	-	367,867	367,867
-	18,464	-	(18,464)	-
-	-	(71,043)		(71,043)
-	-	-	(28,101)	(28,101)
-	-	-	(68,498)	(68,498)
-	-	254,210	(254,210)	-
17,345	33,949	565,295	-	1,279,113

**COMPANHIA DE GÁS
DE SÃO PAULO – COMGÁS**

STATEMENTS OF CASH FLOWS
YEARS ENDED
DECEMBER 31, 2009 AND 2008
(IN THOUSANDS OF REAIS)

	2009	2008
Operating activities		
Net income for the period	367,867	514,045
Depreciation and amortization	194,998	194,229
Fixed assets, Net	3,275	12,808
Interest and monetary variation on loans and debentures	172,833	142,265
Provision for contingencies	1,978	6,762
Provision re Brazilian Securities and Exchange Commission (CVM) 371	6,501	6,603
Deferred tax assets and liabilities	(11,223)	(5,367)
Allowance for doubtful accounts	17,228	7,929
Others	(2,037)	823
	751,420	880,097
Decrease (increase) in operating assets		
Accounts receivable	50,183	(66,938)
Gas costs recoverable/(to be passed on)	499,892	(585,255)
Prepayments and taxes to be offset	19,830	(41,224)
Inventories	(28,698)	13,540
Other credits	(4,268)	1,162
	536,939	(678,715)
Increase (decrease) in operating liabilities		
Suppliers	(237,316)	264,283
Taxes and social contribution taxes payable	(57,510)	16,545
Salaries and labor charges	(345)	10,614
Other liabilities	(6,096)	2,460
	(301,267)	293,902
Cash from operating activities	987,092	495,284
Investment activities		
Acquisition of fixed assets	(406,070)	(403,468)
Advances for asset item sale	-	10,000
Generation (use) of cash in investment activities	(406,070)	(393,468)
Financing activities		
Loans and financing taken out	910,620	1,585,467
Amortization of loans and financing principal	(859,275)	(1,319,657)
Interest paid – loans and financing	(155,522)	(128,752)
Issuance of debentures	-	100,000
Payment of dividends	(199,807)	(275,335)
Interest on equity capital	(64,298)	-
Payment of downstream merger	(58,193)	(58,192)
Generation (use) of cash in financing activities	(426,475)	(96,469)
Increase (decrease) in cash and cash equivalents	154,547	5,347
Initial balance of cash and cash equivalents	39,726	34,379
Final balance of cash and cash equivalents	194,273	39,726
Statement of increase (decrease) in cash and cash equivalents	154,547	5,347

See accompanying notes.

Companhia de Gás de São Paulo – COMGÁS

Notes to financial statements

December 31, 2009 and 2008

(In thousands of reais, except when otherwise indicated)

1. OPERATIONS

The Company distributes piped gas in the State of São Paulo (approximately 180 municipalities, including the region referred to as Greater São Paulo) to industrial, residential, commercial, and automotive, thermal-power generation and co-generation consumers.

The Concession Contract for the Exploration of Public Piped Gas Distribution Services was signed on May 31, 1999 by the new controlling shareholders and the conceding authority - represented by the Sanitation and Energy Regulatory Agency of the State of São Paulo – ARSESP (former Commission of Public Energy Services – CSPE).

The contract grants and regulates the concession for the exploration of public piped gas distribution services for a period of 30 years, which may be extended for a further period of 20 years at the concessionaire's request.

Service tariffs charged are established by ARSESP. At the end of the concession contract, the assets and installations related to the service shall be returned to the granting authorities, and analyses and evaluations shall be carried out to determine the amount of indemnification to the Company, considering amounts as of the dates of return of assets to the granting authorities.

2. PRESENTATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in conformity with the accounting practices adopted in Brazil and regulations issued by the Brazilian Securities Commission Resolution, as well as the Public Piped Gas Distribution Services Chart of Accounts, as established by CSPE's Administrative Rule 22, of November 19, 1999.

Presentation of the 2009 results for preparation of these financial statements took place in the executive board meeting held on January 19, 2010.

The process for preparation of the financial statements involves the use of some accounting estimates based on objective and subjective factors taking into consideration the management judgmental analysis to determine the fair amount to be recorded in the financial statements. Therefore, at the time of actual financial settlement of these assets and liabilities, the results determined may be different from estimates.

All amounts presented in the notes to financial statements are expressed in thousands of reais, except where otherwise indicated.

As allowed by CVM Rule No. 565, of December 17, 2008, which approves CPC Technical Pronouncement No. 13, the Company adopted, for the first time, Law

No. 11638/07 and Law 11941/09 (former Provisional Executive Order No. 449/08) for the year ended December 31, 2008, the effects on the statement of income and shareholders' equity from first time adoption are stated below:

	2008	
	Shareholders' equity	Statement of income
Shareholders' equity before changes introduced by Law No. 11638/07 and MP 449/08	1,142,601	515,116
Application of hedge accounting of fair value	(2,742)	382
Adjustment to present value of monetary assets and liabilities subject to qualification	(5,621)	(2,004)
Deferred income and social contribution taxes on the adjustments above	2,843	551
Net effects arising out of full application of Law No. 11638/07 and MP 449/08	(5,520)	(1,071)
Shareholders' equity with full application of Law No. 11638/07 and MP 449/08	1,137,081	514,045

3. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The main accounting practices adopted by the Company for preparing financial statements are:

a) Cash and cash equivalents - This balance includes short-term investment, recorded at cost, plus income earned up to balance sheet date;

b) Allowance for doubtful accounts - Established in an amount sufficient to cover estimated losses in accounts receivable;

c) Inventories - Materials in storerooms are valued at average cost of acquisition, not exceeding replacement value. Materials allocated to construction in progress are recorded as fixed assets;

The balances of gas and transportation not used (Take or Pay and Ship or Pay) are valued using the FIFO method;

d) Fixed assets - They are stated at acquisition and/or construction cost, less accumulated depreciation, and partly revaluated. Depreciation is determined through the straight-line method, based on rates that consider the useful economic life of underlying assets, ratified by the regulating authority through Administrative Rule CSPE 050/2000 (see Note 11);

e) Intangible Assets - These refer to fidelization cost upon consumer conversion, software and others, less accumulated amortization.

f) Liabilities - Are recognized in the balance sheet when the Company has a legal or constructive obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits. Certain liabilities due to uncertainty with respect to the timing and amount of the outflow of economic benefits required for their settlement are estimated as incurred and recorded as a provision. Provisions are recorded reflecting the best estimates of the risk involved;

g) Income and social contribution taxes - Taxation on profit comprises income and social contribution taxes. Income tax is calculated at a 15% rate, plus a surtax of 10% on taxable profit exceeding R\$240 over 12 months, whereas social contribution tax is computed at a 9% rate on taxable profit, both recognized on an accrual basis.

Deferred taxes on temporary differences are presented in non-current assets, according to expected realization thereof, which is reviewed on an annual basis.

Advances or amounts subject to offsetting are stated in current or noncurrent assets, according to expected realization.

Details of expenses with income and social contribution taxes recorded for the year are stated in Note 24.

h) Net income - This balance is determined on an accrual basis;

i) Unbilled revenue - relates to gas supply revenue, delivered and unbilled to the customer, calculated on an estimated basis, relating to the period after monthly measurement and until the last day of the month, which allows costs and revenues of the corresponding year to be crosschecked.

j) Derivative instruments for hedge - In accordance with CVM Ruling No. 566, dated December 17, 2008, which approved CPC 14, derivatives were considered "derivative instruments for hedge" and debts in foreign currency were considered "items subject matter of hedge", and are recorded at fair value (see Note 13 and 25).

k) Adjustment to present value - In accordance with CVM Ruling No. 564, dated December 17, 2008, which approved CPC 12, the Company made the adjustments to present value of accounts with significant effect on current and noncurrent assets, as applicable.

l) Revaluation reserves - The revaluation reserve in stockholders' equity was eliminated and new asset revaluations are not allowed, thus existing revaluation reserve balances shall be maintained until their effective realization or reversed until the end of the year in which this law becomes effective. The Company opted for maintaining revaluation reserve balances until their effective realization.

4. GAS BILLS RECEIVABLE

Gas bills receivable are demonstrated as follows:

	2009	2008
Gas bills receivable	192,415	182,140
Unbilled gas	265,215	320,542
Allowance for doubtful accounts	(46,558)	(31,806)
Total	411,072	470,876

Unbilled gas refers to the part of gas supplied in December, for which metering and billing to customers have not yet occurred.

5. COST OF GAS RECOVERABLE (TO BE PASSED ON)

	2009	2008
Cost of gas recoverable / (to be passed on)	27,937	514,596
Tax credits recoverable	1,477	14,710
Adjustment to present value of taxes	(65)	(1,017)
Total	29,349	528,289

Amounts recorded under cost of gas recoverable/(to be passed on) R\$29,349 and R\$528,289 at December 31, 2009 and December 31, 2008 respectively, refer to variations between the acquisition cost of gas and the cost effectively passed on through tariffs, also including tax rate differences not added yet.

They are recorded pursuant to the Public Service of Piped Gas Distribution Chart of

Accounts and the Concession Contract, item 11a, according to which amounts of cost of gas recoverable are passed on in tariffs on May 31 of each year, or as needed, in case significant variations are identified.

On December 10, 2009, the regulatory authorities authorized tariff reduction aiming at alignment with gas cost computed in it.

6. OTHER ACCOUNTS RECEIVABLE

	2009	2008
Gas accounts in installments	8,767	13,456
Adjustment to present value	(208)	(512)
Allowance for doubtful accounts	(4,130)	(4,954)
"Take or pay" – Customers	3,919	4,540
Financial participation of users	1,170	1,179
Collaterals	6,133	6,254
Debtor per sale of equipment	15,577	12,950
Adjustment to present value	(734)	(895)
Charge-backs due to network interference	6,267	5,099
Petrobrás charge-backs	1,541	9,146
Land and constructions	14,479	14,688
Accounts receivable – property sale	-	2,448
Other receivables	4,013	5,003
Total	56,794	68,402

Gas bills in installments refer to agreements with customers for the payment of overdue receivables in installments. Overdue amounts with collection risks are properly accrued.

The amount of take or pay – customers refers to the difference between real consumption and the obligatory minimum volumes engaged.

Escrow deposit amounts refer to the amounts deposited by the Company required

by public authorities for the term during which Company's work is carried out.

The balance of recoverable amounts for network interferences refers to amounts to be reimbursed by third parties for damages to the gas distribution network. The amount in Land and Constructions relates to residual costs and dismantlement in the Mooca branch, intended for sale and transferred from Fixed Assets.

7. INVENTORIES

	2009	2008
Finished goods	1,143	1,813
Sundry materials	19,631	19,425
Ship or pay – Petrobras	39,605	2,938
Ship or pay – BG Comércio e Importação Ltda	3,305	10,810
Total	63,684	34,986

The recovery of balances referring to "paid and not used gas transportation services", will be on an automatic

basis, with no burden for Comgás, as transport services are used above the contractually established percentage.

8. TAXES RECOVERABLE

Taxes recoverable are as follows:

	2009	2008
Prepaid income and social contribution taxes	89,877	83,908
Value-added tax on sales and services (ICMS) recoverable	36,507	59,375
Adjustment to present value	(391)	(807)
Others	104	2,170
Total	126,097	144,646

9. ACCOUNTS RECEIVABLE – NON-CURRENT ASSETS

	2009	2008
Other accounts receivable	869	829
Debtors on sale of equipment	3,299	3,814
Adjustment to present value	(176)	(318)
Total	3,992	4,325

10. DEFERRED AND RECOVERABLE TAXES – LONG TERM RECEIVABLES

Deferred and recoverable taxes are as follows:

	2009	2008
Income tax credit on temporarily non-deductible expenses	23,437	17,589
Social contribution credit on temporarily non-deductible expenses	8,437	4,977
Credit from provision for post-employment benefits plan (CVM Instruction 371)	42,204	39,994
Deferred IRPJ and CSLL on adoption of Law No. 11638/07	2,535	4,069
Deferred income tax (IRPJ) and social contribution on net income (CSLL)	76,613	66,629
ICMS recoverable on property, plant and equipment purchases	10,797	11,663
Adjustment to present value	(1,123)	(1,804)
Taxes recoverable	9,674	9,859

The amount regarding taxes recoverable relate to determination of ICMS – falling upon goods intended to Fixed Assets through four years – credit utilization (Supplementary Law No. 102/01).

In accordance with the dispositions of CVM Resolution 273/98 and CVM Instruction 371/02, the Company has deferred tax credits recorded in long-term receivables arising from timing differences and post-employment benefit plan provision as per CVM Deliberation 371.

The credit related to the effects of CVM Resolution No. 371 is estimated to be realized within 25 to 30 years, whilst the tax credits on temporary differences are subject to a term estimated at three years.

11. PROPERTY, PLANT AND EQUIPMENT

	Depreciation weighted average rate	Balances 12/31/2008	Movement			Balances 12/31/2009
			Additions to	Transfers	Write-offs	
Historical costs						
Land	-	12.500	-	-	(80)	12.420
Pipes	3,40%	2.217.358	-	171.655	(929)	2.388.084
Buildings improvements	2,70%	52.788	-	2.663	-	55.451
Machinery and equipment	5,40%	425.217	-	56.174	(3.037)	478.354
Transportation equipment	20,00%	17.034	-	5.012	(3.950)	18.096
Administrative furniture and equipment	10,00%	53.166	-	1.164	(6)	54.324
Construction in progress	-	199.633	233.440	(238.172)	-	194.901
Materials to Fixed Assets	-	44.922	3.136	1.535	-	49.593
Others	-	2.070	-	(2.050)	(20)	-
Total historical costs		3.024.688	236.576	(2.019)	(8.022)	3.251.223
Accumulated depreciation						
Pipes	3,40%	(560.092)	(75.593)	-	334	(635.351)
Buildings improvements	2,70%	(4.319)	(1.458)	-	-	(5.777)
Machinery and equipment	5,40%	(97.926)	(22.547)	(4.045)	1.242	(123.276)
Transportation equipment	20,00%	(6.474)	(3.219)	-	3.172	(6.521)
Administrative furniture and equipment	10,00%	(33.068)	(6.129)	4.045	-	(35.152)
Total accumulated depreciation		(701.879)	(108.946)	-	4.748	(806.077)
Total		2.322.809	127.630	(2.019)	(3.274)	2.445.146

In March 1988, the Company made a spontaneous revaluation of part of its property, plant and equipment (pipelines, buildings, machinery, operating equipment) based on an independent appraisal.

On December 31, 2009, the balance of this revaluation amounted to R\$21,803 (R\$23,933 in 2008) and the depreciation recorded in the results of operations amounted to R\$2,130 (R\$2,066 in 2008).

The income and social contribution taxes posted to the revaluation balance, the

depreciation of which is not deductible for determining taxable income, totaled R\$4,458 and R\$5,183 at December 31, 2009 and December 31, 2008, respectively.

The net amount regarding realization of reserve revaluation is not considered in the tax base for dividend distribution.

In 2009, there was capitalization of interest on construction in progress of R\$9,697 (R\$15,187 in 2008).

12. INTANGIBLE

		Balance at 12/31/2008	Movement		Balance at 12/31/2009
	Notes		Additions to	Transfers	
Intangible assets in Service					
Customer Loyalty		266,331	-	83,998	350,329
Accumulated amortization	(a)	(135,315)	(42,506)	-	(177,821)
		131,016	(42,506)	83,998	172,508
Software and Others		77,585	-	87,477	165,062
Accumulated amortization	(a)	(38,568)	(19,175)	-	(57,743)
		39,017	(19,175)	87,477	107,319
Total Intangible assets in Service		170,033	(61,681)	171,475	279,827
Intangible assets in Progress					
Customer Loyalty		40,434	118,230	(83,382)	75,282
Software and Others		59,704	51,261	(86,074)	24,891
Total Intangible assets in Progress		100,138	169,491	(169,456)	100,173
Holding Pay-up					
Goodwill on Merger - Integral Holding BV		526,359	-	-	526,359
Accumulated amortization	(b)	(501,990)	(24,369)	-	(526,359)
Total holding pay-up		24,369	(24,369)	-	-
Total Intangible Assets		294,540	83,441	2,019	380,000

Notes

(a) Weighted average rate of 20% p.a.

(b) Amortized over return on investment term, until May 2009

The balance of intangible assets in progress refers to customer fidelization cost, upon consumers conversion, as well as software and others.

The Company was authorized by the shareholders at the Extraordinary Stockholders' Meeting held on June 26, 2000 to carry out a reverse merger with its parent company, Integral Holdings S.A., under the terms of the Relevant Event notice published in the press on 9 June 2000.

Due to this merger, the Company recorded the goodwill determined by the parent company on the acquisition of the investment in the net amount of R\$526,359.

Goodwill was amortized over the investment return period, i.e. until May 2009, which represented a tax benefit for the controlling shareholder. The amount of R\$24,370, recorded in the special goodwill reserve, will be remitted to the controlling shareholder after approval by the Ordinary/Extraordinary Shareholders' Meeting to be held in 2010.

13. LOANS AND FINANCINGS

In local currency	Charges	2009		2008	
		Short-term	Long-term	Short-term	Long-term
BNDES (Project II)	TJLP + 4,0% p.a.	23,000	19,017	23,069	41,787
BNDES (Project III)	TJLP + 4,0% p.a.	39,084	85,852	39,200	123,981
BNDES (Project IV) – Direct	TJLP + 3,2% p.a.	38,532	151,162	38,634	188,725
BNDES (Project IV) – Direct with guarantee	TJLP + 2,8% p.a.	88,265	369,337	21,568	400,200
BNDES (Project III) – Votorantim	TJLP + 4,7% p.a.	16,009	35,134	16,061	50,739
BNDES (Project III) – Bradesco	TJLP + 4,7% p.a.	16,009	35,134	16,061	50,739
BNDES (Project V)	TJLP + 2,8% p.a.	653	165,149	-	-
BNDES (PEC)	TJLP + 5,5% p.a.	5,100	45,833	-	-
Working capital	109.34% of CDI	360,692	-	252,575	-
Total in local currency		587,344	906,618	407,168	856,171
In foreign currency (a)					
·BNDES (Basket of currencies)	113% of CDI	14,622	10,623	15,642	23,428
·Banco Europeu de Investimentos	94.7% of CDI	-	-	76,793	-
·Banco Itaú/BBA-(Transfer IFC)	110.0% of CDI	14,220	12,653	14,615	24,533
·Working capital	132.5% of CDI	-	-	59,850	-
Total in foreign currency		28,842	23,276	166,900	47,961
Total		616,186	929,894	574,068	904,132

Notes

(a) As disclosed in Note 25, in order to protect the Company from foreign exchange variations, derivative financial instruments are taken out for all loans in foreign currency.

The long-term balance composition is demonstrated as follows:

Due dates on	01/11 to 12/11	until 12/12	until 12/13	until 12/14	until 12/15	Total
In local currency						
BNDES (Project II)	19,017	-	-	-	-	19,017
BNDES (Project III)	38,156	38,156	9,540	-	-	85,852
BNDES (Project IV) – Direct	15,615	15,615	3,904	-	-	35,134
BNDES (Project IV) – Direct with guarantee	15,615	15,615	3,904	-	-	35,134
BNDES (Project III) – Bradesco	37,790	37,790	37,791	37,791	-	151,162
BNDES (Project III) – Votorantim	92,334	92,334	92,334	92,335	-	369,337
BNDES (Project V)	13,763	27,525	27,525	27,525	68,811	165,149
BNDES (PEC)	23,914	21,919	-	-	-	45,833
Total in local currency	256,204	248,954	174,998	157,651	68,811	906,618
In foreign currency:						
Banco Itaú/BBA-(Transfer IFC)	12,653	-	-	-	-	12,653
BNDES (Basket of currencies)	10,623	-	-	-	-	10,623
Total in foreign currency	23,276	-	-	-	-	23,276
Total	279,480	248,954	174,998	157,651	68,811	929,894

The initial rates of loans and financing in foreign currency, before SWAP operations, are as follows:

Description	Charges
• BNDES (Project II) - Basket of currencies (Swap Votorantim)	12,5% p.a. + basket of currencies for exchange variation
• Banco Itaú/BBA - (Transfer IFC)	8.11% p.a. + US dollar exchange variation

BNDES financing involves monthly principal amortization and interest payment, excepting those within the grace period that have quarterly interest payment. The guarantees provided for such financing are as follow:

Project II: amounts receivable by the Company, under the custody of Banco Itaú.

Project III: amounts receivable by the Company, under the custody of Banco Bradesco.

Project IV:

- For direct portion: amounts receivable by the Company, under the custody of Banco Itaú;
- For the direct portion with guarantee: bank guarantee from Banco Itaú, Votorantim, Bradesco and Santander, on a 25% each bank.

Project V:

- Indirect operation with BNDES: Bank guarantee from Banco Itaú BBA with 100% security.

The financing from Itaú-BBA (IFC onlending) involves repayments of principal and interest payment twice annually.

14. DEBENTURES

Issue	Series	Quantity	Current	Long-term	Remuneration
2 nd .	Sole	1	4.029	100.000	CDI + 1,5% a.a.

The Company concluded on August 5, 2008 the issue of debentures in the amount of R\$100,000, with repayments of 33.3% of principal in August 2012, 33.33% in August 2013 and 33.34% in

August 2014. Interest payment is on an annual basis with no renegotiation. In August 2009, there was the first interest payment in the amount of R\$13,657.

15. SUPPLIERS

The Company has contracts for the supply of natural gas under the following conditions:

- Firm gas supply contract with Petrobras, effective from January 2008 to December 2012 for a daily volume of 3.5 million m³. This contract replaces the National Gas Contract with Petrobras terminated in December 2007.

- Firm gas supply contract with Petrobras for the supply of Bolivian gas, effective until June 2019 for a daily volume of 8.75 million m³ to be reduced to 8.1 million m³ in mid-2011.

- Firm-flexible gas supply contract with Petrobras for the supply of natural gas, where Petrobras either supplies natural gas or reimburses additional costs incurred by the

customer to purchase alternative fuel, for a daily volume of 1 MMm³. This contract is effective from January 2008 to December 2012.

- Interruptible gas supply contract with Petrobras for an initial daily volume of 0 up to 1.5 MM m³. This contract is effective from January 2008 to December 2010.

- Two gas contracts in connection with the Priority Thermoelectricity Program (PPT) for a daily volume of 3.06 MMm³.

- Short term contract with Petrobras executed through auction, under which Comgás contracted quantities from 1.5 and 2.0 MMm³/day for the period from May 2009 to March 2010;

- Firm gas supply contract with BG Comércio e Importação Ltda. for the supply of Bolivian gas, effective until May 2011 for a daily volume of 0.650 MMm³.

- Contract with Gás Brasileiro for up to 12 MMm³/year, started in April 2008 and valid until November 2012.

All gas supply contracts have specific characteristics, such as minimum gas consumption by Comgás ("Take or Pay" for commodity and "Ship or Pay" for transportation), i.e. if consumption is below contractual amounts, the Company must pay the difference between actual and contractual amounts, which may be offset (via consumption) over the term of the contract.

The price of gas supply contracts is made up of two parts: one is indexed to a basket of fuel oils in the international market and adjusted on a quarterly basis; the other is adjusted once

a year based on local or US inflation rates.

The cost of gas is fixed in R\$/m³, and Bolivian gas is defined in US\$/MMBTU, including monthly foreign exchange fluctuation.

16. PAYABLES TO PARENT COMPANIES

a) Parent companies

The balance payable to parent companies at December 31, 2009 is as follows:

	2009	2008	
BG Group	8,177	9,885	
Shell Group	1,461	709	
Total		9,638	10,594
BG Group	TTA	OSA/CSA	Total
Balances at 12/31/2008	5,453	4,432	9,885
Current expenses	(60)	586	526
Exchange variation	-	(242)	(242)
Payments	-	(1,992)	(1,992)
Balances at 12/31/2009	5,393	2,784	8,177
SHELL Group		CSA	
Balances at 12/31/2008		709	
Current expenses		4,299	
Payments		(3,547)	
Balances at 12/31/2009		1,461	

Contracts are divided as follows:

BG Group

- Technology transfer agreement (TTA) – BG makes available technology in all operating aspects and commits itself to applying all its significant experience and knowledge.
- Operational services agreement (OSA) – BG provides operating services and personnel in order to keep, operate, develop and, if necessary, escalate Company's operations in a secure and efficient way and in accordance with the regulatory framework.
- Commercial services agreement (CSA) - BG will make commercial services and personnel available so as to provide administrative support to conduct the Company's business.

Shell Group

- Commercial services agreement (CSA) – Shell will make commercial services and personnel available so as to assist the Company with respect to its business administration.

Regarding gas supply agreements with BG Comércio e Importação Ltda., as described in Note 15, due balances were of R\$19,689 and R\$31,620 as of December 31, 2009 and 2008, respectively.

b) Manager and officer fees

Fees of managers, responsible for planning, managing and controlling the Company's activities, including members of the Board of Directors and statutory officers, are disclosed as follows:

	2009	2008
Salaries and other short-term benefits	8,857	8,321
Others	340	415
Total	9,197	8,736

c) Long-term incentive program

The Company has a long-term incentive program to grant annual bonus to Directors and Supervisors, payable after 36 months as from the date of its approval. The expense related to this long-term incentive program at December 31, 2009 amounted to R\$986 (R\$1,036 in 2008).

17. PROVISION FOR CONTINGENCIES

	2008	Updates/ new recordings	Write-offs	2009
Labor	12,511	2,377	(2,372)	12,516
Judicial deposits	(1,749)	(245)	83	(1,911)
Civil and administrative	15,932	2,086	(671)	17,347
Tax	10,613	558	-	11,171
Total	37,307	4,776	(2,960)	39,123

Most labor claims originate in the period before privatization and refer to salary differences, overtime, hazard and health exposure additional and joint liability, among others. At December 31, 2009, there were other proceedings of the same nature totaling R\$1,679 (R\$1,027 at December 31, 2008), which were considered as involving possible loss by the Company's legal advisors and management, therefore no related provision has been set up.

Civil and administrative proceedings arose in the normal course of Company activities, and involve claims for damages, instability

from network accidents. At December 31, 2009, there are other proceedings of the same nature totaling R\$43,962 (R\$14,554 at December 31, 2008), which in the opinion of the Company's legal advisors and management involve possible loss, therefore no related provision has been set up.

Tax contingencies refer to assessments occurred in prior years. At December 31, 2009, there were other tax proceedings, totaling R\$38,127 (R\$30,723 at December 31, 2008), which were considered as involving possible loss by the Company's

legal advisors and management, therefore no related provision has been set up.

Based on the opinion of its legal advisers, the Company's management understands that the provision is sufficient to cover any unfavorable decisions on these cases.

The Company reclassified from assets to the contingencies account in liabilities the judicial deposits related to labor contingencies in the amount of R\$1,911 (R\$1,749 at December 31, 2008), as presented next page.

18. POST-EMPLOYMENT BENEFIT PLANS (CVM DELIBERATION NO. 371/00)

The amounts related to post-employment benefit plans, which include health care and incentive pension, are calculated by an actuary and recorded in conformity with

CVM Resolution No. 371, The amount of R\$124,129 posted at 12/31/2009, based on the actuarial report, considered the following assumptions:

- Discount rate: 11.25% p.a., (includes 4,5% inflation)
- Salary increase: 7.65 % p.a. (includes 4,5% inflation)
- Expected return on assets: 11.25% p.a. (including 4,5% inflation)
- Aging factor: 3% p.a.
- Initial medical inflation 10% p.a. with decrease of 0.5% p.a.
- Final medical inflation 5.5% p.a. as from 2019
- General mortality: AT-83 segregated by gender

- Disabled mortality: IAPB-57
- Beginning of disability: UP-84 modified
- Turnover: 0.3 / (Length of service +1)

The amount of recognized actuarial gains or losses consists of the portion of gain or loss which exceeds the greatest between 10% of present value of the actuarial obligation or 10% of the fair value of the plan assets, amortized throughout the average term of the future service of plan members.

	2009	2008
Amount of actuarial liabilities		
Fully or partially funded	7,775	8,130
Fully unfunded	154,237	128,158
Actuarial loss	(26,464)	(10,040)
Fair value of plan assets	(11,419)	(8,619)
Net actuarial liabilities (assets)	124,129	117,629
	2009	2008
Net actuarial liabilities (assets) at the beginning of the year	117,629	111,026
Expenses for the year	16,414	16,029
Contributions of employer	(9,914)	(9,426)
Net actuarial liabilities (assets) at the end of the year	124,129	117,629
Expenses for the year		
	2009	2008
Gross cost of current service (with interest)	397	358
Interest on actuarial liabilities	17,315	15,669
Expected earnings from plan assets	(1,216)	(757)
Amortization of actuarial losses	(82)	759
Expenses for the year	16,414	16,029

The tax effects arising from this provision are recorded in deferred IRPJ and CSLL in long-term receivables (see Note 10).

The Company maintains with Itaú Previdência e Seguros S.A. a private pension plan denominated PGBL, comprised by variable contributions and approved by the Superintendency of Private Insurances – SUSEP. The Company's contributions for 2009 amounted to R\$3,972 (R\$3,524 in 2008). It is a fixed income plan of which the objective is to grant post-employment benefits in the form of life-time monthly pension.

19. DEFERRED IRPJ AND CSLL

Deferred income tax and social contribution composition is as follows:

2009	2008	
Income tax on the credit balance of the revaluation reserve	3,260	3,776
Social contribution on the credit balance of the revaluation reserve	1,173	1,360
Income tax on gains on the sale of Augusta head office building	-	394
Social contribution tax on gains on the sale of Augusta head office building	-	141
Deferred IRPJ and CSLL on adoption of Law No. 11638/07	1,226	1,226
Total	5,659	6,897

20. SHAREHOLDERS' EQUITY

a) Capital

The Company's authorized capital is R\$671,672. At December 31, 2009, paid-up capital amounted to R\$636,863 (R\$326,570 at December 31, 2008), divided into 93,910,898 nominative common shares, with no nominal value and 25,911,899 preferred shares with no nominal value, held as follows:

Shareholders	Amount Of Shares – In Thousands					
	Common	%	Preferred	%	Total	%
Integral Investments BV	82,521	87,87%	3,649	14,08%	86,170	71,91%
Shell Brazil Holding BV	7,594	8,09%	-	0,00%	7,594	6,34%
Poland Fia	1,280	1,36%	9,396	36,26%	10,676	8,91%
Tarpon	1,732	1,84%	4,433	17,11%	6,165	5,15%
Others	784	0,84%	8,434	32,55%	9,218	7,69%
Total	93,911	100,00%	25,912	100,00%	119,823	100,00%

b) Dividends and Interest on Equity Capital (JCP)

Under the by-laws, stockholders are entitled to a dividend of at least 25% of net income for the year, adjusted in accordance with Corporate Law.

Comgás' articles of incorporation (Article 46) also provide that the Board of Directors may approve payment or credit of interest on equity capital, subject to approval by the Ordinary Shareholders' Meeting analyzing the financial statements for the year in which such interest was paid or credited, which may be included or not in mandatory dividends, at the discretion of the Company's Board of Directors, as allowed by applicable legislation.

As per the minutes of Board of Directors' Meetings of October 28, 2009 and December 16, 2009, these decided payment of interest on equity capital of R\$68,498, included in minimum mandatory dividends for 2009.

Payment was scheduled to be made in two installments:

- The first, related to profit for 2009, in the amount of R\$64,349, was paid on December 23, 2009;

- The second, related to profit for 2009, in the amount of R\$4,149, will be paid on January 29, 2010;

c) Dividends paid

Pursuant to the minutes of the Board of Directors of March 18, 2009, ratified by the annual and special stockholders' meeting of April 23, 2009, resolved to allocate R\$199.881 million retained in income reserves at December 31, 2008 for distribution of dividends in 2009.

Dividends	R\$ (thousand)
Profits available for distribution at 12/31/2009	367,867
Movement of retained earnings	1,406
	369,273
Constitution of legal reserve (5%)	18,464
Calculation base of dividends	350,809
Minimum dividends of 25%	87,702
Gross interest on equity capital	(68,498)
Income tax on interest on equity capital	8,897
Net interest on equity capital	(59,601)
Total dividends for distribution	28,101
Dividends (common shares)	21,558
Dividends (preferred shares)	5,948
10% Additional – preferred shares	595
Total dividends to be destined in dec 2009	28,101

The payments will be made in three installments, all of which within 2009, namely:

- The first, regarding the income of 2008 and amounting to R\$100.000, paid in June 30, 2009;

- The second, regarding the income of 2008 and amounting to R\$50.000, paid in August 31, 2009;

- The third, regarding the remaining portion of income for the year 2008 and amounting to R\$49.881, paid in November 30, 2009.

d) Special goodwill reserve and capital reserve

As decided by the shareholders in approving the "Merger Justification Protocol of Integral Holdings S.A." into Companhia de Gás de São Paulo – Comgás" in the Extraordinary General Meeting held on June 26, 2000, the tax benefit obtained amounted to R\$24,370 and R\$58,484 in 2009 and 2008, respectively.

The minutes of the Board meeting of March 18, 2009, ratified by the Annual General Meeting - AGO, April 23, 2009, was a deliberate targeting of this value as follows:

R\$ 58,193 for major stockholder and

R\$ 293 for capital increase.

The amount of R\$ 58,193 thousand was forwarded to the controlling shareholder in August 2009.

e) Appropriation of the remaining net income for the year balance

The profit retention reserve refers to retention of the remaining balance of profit for the year, as proposed by management, in order to fund the Company's business growth project, in accordance with estimated budget to be approved by the Board of Directors and submitted to the analysis of the General Shareholders' Meeting.

21. SALES REVENUE

The revenue per segment is as follows:

(Unaudited) - M³ thousand

	2009	%	2008	%	2009	%	2008	%
Residential	449.107	9,09%	444.504	8,86%	43.980	3,38%	135.944	2,59%
Commercial	200.867	4,06%	190.858	3,80%	95.400	2,24%	99.633	1,90%
Industrial	3.656.461	73,98%	3.637.079	72,46%	3.313.936	77,77%	3.855.030	73,39%
Thermal Power generation	7.869	0,16%	104.006	2,07%	20.707	0,49%	333.301	6,34%
Co-generation	226.928	4,59%	197.659	3,94%	318.140	7,47%	304.403	5,79%
Automotive	376.055	7,61%	425.653	8,48%	368.804	8,66%	524.725	9,99%
Others	25.497	0,51%	19.508	0,39%	-	-	-	-
	4.942.784	100%	5.019.267	100%	4.260.967	100%	5.253.036	100%

22. FINANCIAL INCOME AND EXPENSES

	2009	2008
Financial expenses		
Interests loans/financings/ debentures	(175.772)	(143.572)
IOF / Bank expenses	(13.840)	(10.350)
Commissions	(5.622)	(382)
Reallocation to fixed assets in progress	9.697	15.187
Interest (CVM 371)	(17.712)	(16.027)
Interest on equity capital	(68.498)	-
Others	(87)	(2.017)
Total financial expenses	(271.834)	(157.161)
Monetary adjustments		
Loans and financings	(1.468)	(3.033)
Monetary variation gains	(86)	1.847
Monetary variation losses	(1.594)	(3.125)
Total monetary adjustments	(3.148)	(4.311)
Financial revenue		
Default interest from customers	13.329	11.885
Financial income	7.872	4.969
Interest	1.544	2.237
Interest on current account (ARSESP)	31.399	19.840
Others	5.626	382
Total financial revenue	59.770	39.313
Total	(215.212)	(122.159)

23. INSURANCE

The most significant insurance coverage, contracted according to the nature and risk level against any losses on the Company's assets, is as follows:

Risk	US\$
Operating risk	71.378
Civil responsibility	100.000

24. INCOME AND SOCIAL CONTRIBUTION TAXES

Reconciliation between nominal and effective rates:

	2009	2008
Income before taxation	422,462	716,601
Goodwill amortization, net of provision of equity integrity	24,370	58,484
Income without goodwill amortization	446,832	775,085
Rate	34%	34%
Income and social contribution taxes at nominal rates	(151,922)	(263,529)
Reconciliation		
Benefits generated by the "Reverse Merger"	24,370	58,484
Permanent differences	4,459	2,489
	(123,093)	(202,556)

25. FINANCIAL INSTRUMENTS

Main risks associated with the Company's financial strategy

Policy for risk management and use of derivatives.

Treasury Policy sets forth guidelines for risk management, its measurement and consequent mitigation. Therefore, financial operations carried out, including derivative operations, shall be the best alternatives possible both financially and economically, and shall never be carried out in order to speculate, i.e., there shall always be an exposure that justifies the operation agreement.

When there is sufficient liquidity in the financial market, the perfect hedge, in which value and term of the taken out derivatives is exactly the same as the cash flow of the operation in negotiation, shall be sought. The best alternative shall always be analyzed, respecting the abovementioned Risk Management policy, with respect to the minimum hedge percentage to be taken out, of 75% of notional amount, for amounts over US\$500,000.

Related risks

Interest rate risk: the Company is exposed to interest rate risk due to its indebtedness. This may be covered through use of swaps, in which the Company may change variable positions to fixed positions or vice-versa, in addition to changing indexes.

Foreign exchange risk: part of loans taken out for financing investments and working capital

is related to currencies other than the Real. The variation risk of these currencies may be covered through forward and swap operations.

Credit risk: credit is not concentrated on large customers in volumes above 10% of sales.

At December 31, 2009, the Company had the main financial instruments, as follows:

- a) Cash and cash equivalents
- b) Accounts receivables – Note 4
- c) Loans and financing – Note 13.
- d) Derivatives.

The Company operates in credit and bank credit markets, raising funds in national and foreign currencies for financing its investments and working capital, and is exposed to risks arising out of variations in foreign exchange rates of foreign currencies and interest rate risk.

The Company maintains a Treasury Policy, approved by the Board of Directors, with periodic reviews, which prohibits the use of derivative instruments for speculative purposes. These are permitted only for protection against previously identified risks (hedge operations). Therewith, the Treasury Policy determines the methodology for derivative operation counterpart credit risk and stipulates the permitted instruments, swaps and forwards.

In order to protect itself from foreign exchange exposure and from interest rates of financing

agreements in foreign currency, the Treasury Policy determines the following methodology: foreign currency coverage of the principal and interest until final maturity of the loan operation, to, at least, 75% of the total amount (notional amount). When there is no foreign exchange swap available in the financial market to cover the full operation period, it shall be made over the longest period possible.

Financing swaps in foreign currency

Financing swaps in foreign currency aims at protecting the exposure generated by foreign exchange rate variation of original financing currencies. Thus, swaps turn liabilities in USD into liabilities in Reais at the Interbank Deposit Certificate (CDI) rate – which eliminates the exposure in USD and international interest rate (Libor or fixed rate). Par value, rates and swap receivables maturities are identical to the financing. Swaps were carried out in the over-the-counter market and no deposit guarantee is required in the operation. These are considered swaps with no cash. Details of the operation are displayed in the table below.

Comgás will continue with the swaps of its financing in foreign currency until they mature. The recording is in the group of short and long-term financing.

The determination criteria, methods and assumptions applied in fair value computation relate to "asset market – quoted price", and are in accordance with the system established in agreement between the parties.

Find below a summary of derivative financing instrument amounts:

Description	Counterpart	Original Currency	Assets	Liabilities	Final Maturity
BNDES - Basket I	Bank Votorantim	Basket of currencies	17.15% p.a. + Foreign Exchange (FE)	122% CDI	October-2011
BNDES - Basket II	Bank Votorantim	Basket of currencies	17.26% p.a. + FE	96.5% CDI	October-2011
IFC remittance Itaú BBA	Bank Itaú BBA	USD	9.88% p.a. + FE	110% CDI	December-2011

Description	Accumulated effect (1)					
	2009			2008		
	Assets	Liabilities	Net Position	Assets	Liabilities	Net Position
	20.027	(50.582)	(30.555)	194.260	(211.069)	(16.809)
BNDES - Basket I	7.347	(17.416)	(10.069)	15.521	(26.364)	(10.843)
BNDES - Basket II	2.420	(6.606)	(4.186)	5.107	(10.280)	(5.173)
IFC remittance Itaú BBA	10.260	(26.560)	(16.300)	20.770	(38.450)	(17.680)
European Investment Bank	0	0	0	94.279	(77.075)	17.204
Unibanco	0	0	0	58.583	(58.900)	(317)

Description	Accumulated effect (2)					
	2009			2008		
	Assets	Liabilities	Net Position	Assets	Liabilities	Net Position
	20.876	(51.200)	(30.324)	194.210	(212.515)	(18.305)
BNDES - Basket I	7.664	(17.741)	(10.077)	15.914	(27.230)	(11.316)
BNDES - Basket II	2.533	(6.586)	(4.053)	5.266	(10.228)	(4.962)
IFC remittance Itaú BBA	10.679	(26.873)	(16.194)	20.983	(39.151)	(18.168)
European Investment Bank	-	-	-	93.970	(76.836)	17.134
Unibanco	-	-	-	58.077	(59.070)	(993)

Notes:

- (1) Appropriate derivative (in the curve);
(2) Marked to market.

Sensitivity analysis

Pursuant to CVM Rule No. 475, Comgás developed a sensitivity analysis, identifying the risk factors which may generate variations in its derivative financial instruments, loans and financing.

The sensitivity analyses are established by using assumptions and presuppositions and future events. The settlement of the transactions involving these estimates may lead to amounts different from those herein estimated, in connection with the subjectivity inherent to the preparation process of these analyses.

These variations may impact the results and/or future cash flows of Comgás, as follows:

The scenarios of exposure of financial instruments indexed to the variable interest rate (CDI) were maintained on the basis of calculation curves at December 31, 2009.

The effects herein presented refer to variations in the result of operations for the next twelve months, except for assets indexed by the SELIC rate, which were estimated until March 31, 2010.

• **Scenario I (probable):** Maintenance of levels of interest and exchange rate existing at December 31, 2009;

• **Scenario II 25%:** Deterioration of 25% of each of the risk factors in relation to that existing at December 31, 2009;

• **Scenario III 50%:** Deterioration of 50% in each of the risk factors in relation to that existing at December 31, 2009.

Description	Risk	Scenario I (Probable)	Scenario II 25%	Scenario III 50%
Assets indexed to SELIC	Change in SELIC	400	292	195
Foreign currency debts				
Debts	Change in US\$	-	(5,273)	(10,546)
Derivatives (receivables)	Change in US\$	-	5,219	10,438
Net effect		-	(54)	(108)
Derivative (payable)	Change in CDI	(28,390)	(28,432)	(28,474)
Local currency debt				
CDI debts	Change in CDI	(33,960)	(40,437)	(46,891)
TJLP debts	Change in TJLP	(94,686)	(109,356)	(112,004)
Total		(128,646)	(149,793)	(158,895)
SELIC		8,75%	6.49%	4.28%
US\$		R\$1,7412	R\$2,1765	R\$2.6118
CDI		8,75%	11.05%	13,41%
TJLP		6,00%	7.50%	9.00%

26. CHANGES IN ACCOUNTING PRACTICES AND REQUIRED DISCLOSURES

In 2009, the Accounting Pronouncements Committee (CPC) and the Brazilian Securities and Exchange Commission (CVM) issued and approved several Accounting Pronouncements, Interpretations and Guidelines effective only for financial years started on or after January 1, 2010, with the requirement that the Company present prior year financial statements for purposes of comparison. The Company could have adopted early for the year ended December 31, 2009 the mandatory

pronouncements, as long as in full. The Company decided not to adopt this option for current year financial statements.

Until December 31, 2009, 37 new accounting pronouncements had been issued by CPC and approved by CVM rules, for mandatory application as from 2010.

Company management is analyzing the impacts arising from application of these new accounting pronouncements.

CORPORATE REPORTING

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