Companhia de Gás de São Paulo - COMGÁS

Financial statements

December 31, 2021

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Contents

São Paulo Corporate Towers
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Independent auditor's report on financial statements

To
Shareholders, Board of Director and Officers of
Companhia de Gás de São Paulo – Comgás
São Paulo – SP

Opinion

We have audited the financial statements of Companhia de Gás de São Paulo - Comgás (the "Company"), which comprise the statement of financial position as of December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of the Company as of December 31, 2021, its financial performance and its respective cash flows for the year then ended, in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants, the professional standards issued by the Brazil's National Association of State Boards of Accountancy (CFC) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recognition of unbilled revenue from gas distribution

As mentioned in Notes 5.3 and 14 to the financial statements, unbilled gas revenue refers to the portion of gas supplied for which metering and billing to customers has not yet billed. This amount is estimated by the Company based on the period between and the date of the last measurement and the last day of the month. As of December 31, 2021, the unbilled revenue and related accounts receivables was R$ 975,588 thousand.

Monitoring this matter was considered significant for our audit given the materiality of amounts involved in relation to accounts receivable balance and the potential risks of misstatement to profit or loss for the period, in addition to uncertainties inherent in determining the estimate of amounts recorded, given the use of information by customer segment with different prices, and the degree of judgment exercised by management in determining the assumptions for the calculation. A change in any of these assumptions can generate a significant impact on the Company's financial statements.

How our audit has addressed this matter:

Our audit procedures included, among others, (i) the understanding of the process implemented by Management related to the allocation of gas volumes and price by segment according to regulated tariffs; ii) involvement of senior audit professionals in planning the audit approach, review and supervision; iii) we tested, on a sample basis, the data used in the calculation of unbilled revenue by segment; iv) we recalculated unbilled revenue by segment, including the assessment of the key assumptions used; v) we prepared an independent estimate based on historical data and compared it with the estimate of volume by segment calculated by the Company; vi) we compared, on a sample basis, the tariffs by segment used in the calculation with the tariffs determined by the regulatory agency; vii) we compared the assumption of average consumption estimated by the Company with the actual average consumption of the subsequent cycle in January, 2022; viii) we have performed analytical procedures to develop an independent expectation based on the historical figures of the balances under analysis; and ix) we have reconciled the balance of unbilled revenue to the accounting records. We also analyzed the arithmetic calculation. Lastly, we assessed the adequacy of the disclosures in Notes 5.3 and 14 to the financial statements at December 31, 2021.

Based on the result of our audit procedures on unbilled revenue amounts, in the statement of profit or loss, and the respective accounts receivable balance, in assets, which is consistent with management's evaluation, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in the Notes 5.3 and 15, are acceptable, in the context of the financial statements taken as a whole.

Concession infrastructure related to the das distribution

As disclosed in Note 7 and 8 to the financial statements, at December 31, 2021, the Company recorded contract assets and concession intangible assets, in the amounts of R$ 684,870 thousand and R$ 5,610,472 thousand, respectively, which represent, substantially, the concession infrastructure.

The amount of the investments applied on infrastructure serving the concession is an essential part of the methodology applied by the granting authority to define the tariff to be charged by the Company to final consumers, under the terms of the Concession Contract. The definition of which expenses are eligible and should be capitalized as cost of infrastructure and the definition of the useful life are subject to judgment by management.

Due to the specific elements inherent in the capitalization process and the subsequent measurement of expenditures in infrastructure, in addition to the significance of the amounts involved, we consider this to be a significant matter for our audit.

How our audit has addressed this matter:

Our audit procedures involved, among others, i) overall understanding of the process implemented by Management on the accounting for investments in infrastructure, including their eligibility as a qualifying assets for capitalization; ii) evaluation of the nature of these investments with the applied infrastructure; iii) testing in a sample basis of the materials and services allocated as well as workforce; iv) evaluation of the accounting classifications between the contract asset and the concession right intangible asset, observing the properly periods of construction; v) the policies established by the Company for such accounting and its applicability to current accounting standards; vi) the capitalization of interest, when applicable; vii) use of substantive analytical procedures over additions and amortization; and, viii) testing of the amortization of the concession right intangible asset.

Based on the result of audit procedures performed, which is consistent with management's assessment, we consider the criteria and policies for capitalization and amortization of these concession infrastructure assets prepared by management to be acceptable, as well as the respective disclosures in Note 7 and 8, in the context of the financial statements taken as a whole.

Other matters

Statements of value added

The statements of value added (SVA) for the year ended December 31, 2021, prepared under the responsibility of Company management, and presented as supplementary information for purposes of IFRS, were submitted to audit procedures conducted together with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by NBC TG 09 – *Demonstração do Valor Adicionado* (Statement of Value Added). In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement and are consistent in relation to the overall financial statements.

Other information accompanying the financial statements and the auditor's report

Company's Management is responsible for such other information, which comprise the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries' financial reporting process.

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and its subsidiaries' internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiary's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtained sufficient appropriate audit evidence regarding the financial information of the group's entities or business activities to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit and, consequently, for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the scope and timing of the planned audit procedures and significant audit findings, including deficiencies in internal control that we may have identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements, including applicable independence requirements, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, February 17, 2022.

ERNST & YOUNG

Auditores Independentes S.S.

CRC-2SP034519/O-6

Stela de Aguiar Cerqueira

Accountant CRC-1SP258643/O-4

Statement of financial position
December 31, 2021 and 2020

(In thousands of Brazilian Reais – R$, unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Assets			
Cash and cash equivalents	5.1	891,650	1,610,548
Marketable securities	5.2	1,027,467	991,820
Trade receivables	5.3	1,375,260	977,194
Derivative financial instruments	5.8	-	54,218
Inventories		129,554	121,064
Receivables from related parties	5.4	1,817	769
Other recoverable taxes	6	176,865	173,970
Sectorial assets	5.7	489,601	241,749
Other assets		56,521	54,456
Current assets		**4,148,735**	**4,225,788**
Trade receivables	5.3	15,797	18,029
Income taxes	10	58,127	-
Other recoverable taxes	6	989,158	29,166
Judicial deposits	11	62,362	60,394
Derivative financial instruments	5.8	287,837	366,368
Other assets		8,069	166
Sectorial assets	5.7	68,709	-
Right of use		57,118	19,865
Contract assets	8	684,970	686,690
Intangible assets	7	5,890,616	5,210,418
Non-current assets		**8,122,763**	**6,391,096**
Total assets		**12,271,498**	**10,616,884**

The accompanying notes are an integral part of these financial statements.

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Statement of financial position
December 31, 2021 and 2020

(In thousands of Brazilian Reais – R$, unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Liabilities			
Loans, financing and debentures	5.5	2,288,960	1,787,503
Trade payables	5.6	1,669,767	1,040,693
Employee benefits payable		87,517	70,232
Income tax payables		11,941	300,498
Other taxes payable		247,201	165,103
Dividends and interest on capital payable		2,035	1,688
Payables to related parties	5.4	7,435	8,930
Other financial liabilities		91,933	95,428
Sectorial liabilities	5.7	85,866	91,912
Leases		2,268	2,282
Other liabilities		43,463	45,876
Current liabilities		**4,538,386**	**3,610,145**
Loans, financing and debentures	5.5	4,661,376	5,256,406
Provision for legal proceedings	11	84,901	74,236
Post-employment benefits	18	470,525	564,576
Deferred tax liabilities	10	74,606	33,775
Other tax payable		5,070	5,657
Sectorial liabilities	5.7	1,286,417	473,999
Leases		45,000	8,038
Non-current liabilities		**6,627,895**	**6,416,687**
Total liabilities		**11,166,281**	**10,026,832**
Shareholders' equity	12	**-**	
Share capital		536,315	536,315
Capital reserve		(20,972)	5,730
Revaluation reserve		5,761	5,761
Carrying value adjustments		(103,980)	(176,726)
Profit reserve		688,093	218,972
Shareholders' equity		**1,105,217**	**590,052**
Total liabilities and shareholders' equity		**12,271,498**	**10,616,884**

The accompanying notes are an integral part of these financial statements.

Statement of profit or loss

December 31, 2021 and 2020

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Net sales	14	11,709,713	8,317,691
Cost of gas and services	15	(8,196,452)	(5,506,277)
Gross result		**3,513,261**	**2,811,414**
Selling expenses	15	(125,413)	(156,893)
General and administrative expenses	15	(835,103)	(707,526)
Other income (expense), net		26,587	56,361
Operating expenses		**(933,929)**	**(808,058)**
Result before financial results and taxes		**2,579,332**	**2,003,356**
Finance expense		(735,522)	(354,607)
Finance income		401,246	178,504
Foreign exchange gain (loss)		(60,888)	(150,227)
Derivatives		90,101	42,851
Financial results, net	17	**(305,063)**	**(283,479)**
Result before income tax and social contribution		**2,274,269**	**1,719,877**
Current		(151,792)	(546,024)
Deferred		(3,356)	(23,240)
Income tax and social contribution	10	**(155,148)**	**(569,264)**
Net result for the year		**2,119,121**	**1,150,613**
Earnings per share attribute to the owners of the Company - Expressed in R$ per share attributed to the owners of the Company			
Basic per share - in Real:	13		
Common		15.65240	8.49874
Preferred		17.21764	9.34861
Diluted per share - in Real:	13		
Common		15.61574	8.47374
Preferred		17.17732	9.32111

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income

December 31, 2021 and 2020

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Result for the year	**2,119,121**	**1,150,613**
Other comprehensive income		
Items that will not be reclassified to the result:	-	-
Actuarial income on defined benefit plan	110,222	85,276
Taxes over actuarial income on defined benefit plan	(37,476)	(28,993)
Total other comprehensive income for the year	**72,746**	**56,283**
Total comprehensive income for the year	**2,191,867**	**1,206,896**

The accompanying notes are an integral part of these financial statements.

Statement of changes in shareholder's equity
December 31, 2021 and 2020
(In thousands of Brazilian Reais - R$, unless otherwise stated)

		Capital reserves			Profit reserve				
	Share capital	Tax incentives	Granted shares recognized	Revaluation reserves	Legal reserve	Result retention	Retained earnings	Carrying value adjustments	Total equity
At January 01, 2021	**536,315**	**1,201**	**4,529**	**5,761**	**107,263**	**111,709**	**-**	**(176,726)**	**590,052**
Result for the year	-	-	-	-	-	-	2,119,121	-	2,119,121
Comprehensive income:									
Actuarial earn on defined benefit plan	-	-	-	-	-	-	-	110,222	110,222
Taxes on actuarial learn on defined benefit plan	-	-	-	-	-	-	-	(37,476)	(37,476)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**2,119,121**	**72,746**	**2,191,867**
Dividends (Note 12)	-	-	-	-	-	(111,709)	(1,508,844)	-	(1,620,553)
Interest on capital (Note 12)	-	-	-	-	-	-	(29,447)	-	(29,447)
Granted shares recognized (Note 19)	-	-	3,634	-	-	-	-	-	3,634
Share-based payment transactions (Nota 19)	-	-	(30,336)	-	-	-	-	-	(30,336)
Result retention (Note 12)	-	-	-	-	-	580,830	(580,830)	-	-
Total contributions by and distributions to owners	**-**	**-**	**(26,702)**	**-**	**-**	**469,121**	**(2,119,121)**	**-**	**(1,676,702)**
At December 31, 2021	**536,315**	**1,201**	**-22,173**	**5,761**	**107,263**	**580,830**	**-**	**(103,980)**	**1,105,217**

The accompanying notes are an integral part of these financial statements.

		Capital reserves			Profit reserve				
	Share capital	Tax incentives	Granted shares recognized	Revaluation reserves	Legal reserve	Result retention	Retained earnings	Carrying value adjustments	Total equity
At January 1, 2020	**536,315**	**1,201**	**4,974**	**5,761**	**68,359**	**135,907**	**-**	**(233,009)**	**519,508**
Result for the year	-	-	-	-	-	-	1,150,613	-	1,150,613
Comprehensive income:									
Actuarial earn on defined benefit plan	-	-	-	-	-	-	-	85,276	85,276
Taxes on actuarial earn on defined benefit plan	-	-	-	-	-	-	-	(28,993)	(28,993)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**1,150,613**	**56,283**	**1,206,896**
Dividends	-	-	-	-	-	(135,907)	(972,163)	-	(1,108,070)
Interest on capital (Note 12)	-	-	-	-	-	-	(27,837)	-	(27,837)
Legal reserve (Note 12)	-	-	-	-	38,904	-	(38,904)	-	-
Granted shares recognized	-	-	2,078	-	-	-	-	-	2,078
Share-based payment transactions	-	-	(2,523)	-	-	-	-	-	(2,523)
Result retention (Note 12)	-	-	-	-	-	111,709	(111,709)	-	-
Total contributions by and distributions to owners	**-**	**-**	**(445)**	**-**	**38,904**	**(24,198)**	**(1,150,613)**	**-**	**(1,136,352)**
At December 31, 2020	**536,315**	**1,201**	**4,529**	**5,761**	**107,263**	**111,709**	**-**	**(176,726)**	**590,052**

The accompanying notes are an integral part of these financial statements.

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Statement of cash flows
December 31, 2021 and 2020
(In thousands of Brazilian Reais - R$, unless otherwise stated)

	Note	December 31, 2021	December 31, 2020
Cash flows from operating activities			
Result before taxes		2,274,269	1,719,877
Adjustments for:			
Amortization	15	436,093	379,261
Loss on the disposal of intangible assets	16	21,083	3,175
Granted shares recognized	19	3,634	4,306
Provision for judicial demands	16	9,691	(24,468)
Interest, monetary and exchange variations		378,485	320,275
Provisions for employee benefits		58,860	39,093
Impairment of trade receivables	5.3	(1,792)	25,638
Regulatory assets and liabilities, net	5.7	246,101	337,620
Extemporaneous credits	6	(563,175)	-
Other		(1,197)	(6,775)
		2,862,052	**2,798,002**
Changes in:			
Trade receivables		(376,125)	(5,897)
Inventories		(7,293)	(34,529)
Other taxes, net		(349,059)	(542,169)
Trade payables		468,381	(33,374)
Employee benefits		(43,341)	(36,469)
Post-employment benefits		(24,683)	(26,265)
Other assets and liabilities, net		(21,450)	(22,753)
		(353,570)	**(701,456)**
Net cash generated by operating activities		**2,508,482**	**2,096,546**
Cash flows from investing activities			
Marketable securities		(4,906)	(776,583)
Cash received on sale of other permanent assets		6,805	-
Additions to intangible assets and contract assets		(1,027,003)	(991,715)
Net cash used in investing activities		**(1,025,104)**	**(1,768,298)**
Cash flows from financing activities			
Loans, borrowings and debentures raised	5.5	1,557,805	2,267,624
Repayment of principal on loans, borrowings and debentures	5.5	(1,768,394)	(796,109)
Payment of interest on loans, borrowings and debentures	5.5	(419,092)	(280,472)
Payments relating to derivative financial		(6,116)	(6,691)
Receipts relating to derivative financial		116,025	166,234
Payments of principal on leases		(1,884)	(12,569)
Payments of interest on leases		(631)	(935)
Payments of dividends and interest on capital	12	(1,649,653)	(1,135,669)
Payment of share-based compensation	19	(30,336)	(2,523)
Net cash (used) generated in financing activities		**(2,202,276)**	**198,890**
Decrease in cash and cash equivalents		**(718,898)**	**527,138**
Cash and cash equivalents at beginning for the year		1,610,548	1,083,410
Cash and cash equivalents at end for the year		**891,650**	**1,610,548**
Additional information:			
Income tax and social contribution paid		(460,282)	(557,458)

The accompanying notes are an integral part of these financial statements.

Transactions that do not involve cash

i. Acquisition of assets for construction of the distribution network with payment term in the amount of R$ 148,073; notes 7 and 8.

ii. Recognition of the right to use new lease agreements in the amount of R$ 47.333.

iii. Tax credits were used, avoiding cash outflow, of the total amount presented as payment in the supplementary information, R$ 262,843 referring to the payment of the annual adjustment for 2020.

Presentation of interest

Interest paid are classified as cash flows from financing activities, as it as considered to refer to the costs of obtaining financial resources.

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Statement of value added
December 31, 2021 and 2020
(In thousands of Brazilian Reais - R$, unless otherwise stated)

		December 31, 2021	December 31, 2020
Revenue			
Sales of gas		13,788,190	10,248,756
Sales of services	14	268,554	67,051
Provision for impairment of trade receivables	5.3	1,792	(25,638)
Construction revenue	14	1,020,176	885,630
Other sales		26,586	56,361
		15,105,298	**11,232,160**
Cost and expenses			
Cost of gas and transportation		(9,498,355)	(6,163,319)
Cost of services		(36,599)	(21,143)
Construction costs	15	(1,020,176)	(885,630)
Materials, services and other expenses		(233,574)	(200,316)
		(10,788,704)	**(7,270,408)**
Gross value added		**4,316,594**	**3,961,752**
Retention			
Amortization	15	(436,093)	(379,261)
		(436,093)	**(379,261)**
Net value added generated by the Company		**3,880,501**	**3,582,491**
Value added received through transfer			
Finance income		399,572	148,906
		399,572	**148,906**
Total value added to distributed		**4,280,073**	**3,731,397**
Distribution of value added			
Personnel and social charges		**156,262**	**139,978**
Remuneration		90,293	80,646
Benefits		50,055	44,403
FGTS		15,914	14,929
Taxes and contributions		**1,281,290**	**1,993,980**
Federal		542,993	1,380,488
State		704,394	596,251
Municipalities		33,903	17,241
Finance costs and rentals		**723,400**	**446,826**
Interest		583,117	375,109
Rents and leases		20,185	14,443
Other		120,098	57,274
Remuneration of shareholder´s equity		**2,119,121**	**1,150,613**
Dividends proposed		1,508,844	972,163
Interest on capital		29,447	27,837
Profit retention		580,830	150,613
		4,280,073	**3,731,397**

The accompanying notes are an integral part of these financial statements.

1 Operational context

The main activity of Companhia de Gás de São Paulo - COMGÁS (the "Company") is the distribution of piped natural gas in part of the State of São Paulo (in approximately 180 municipalities, including the region referred to as Greater São Paulo) to industrial, residential, commercial, automotive, thermal-power generation and co-generation consumers.

The Company is a publicly traded corporation headquartered in São Paulo, in the State of São Paulo, and is registered with B3 S.A. - Brasil, Bolsa, Balcão ("B3"). The Company is controlled by Compass Gás e Energia S.A. ("Compass") through a direct interest of 99.14% of the capital stock, being indirectly controlled by Cosan S.A., which in turn holds 88% of the capital stock of Compass.

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

1.1 Extension of the Comgás concession contract

On October 1, 2021, the 7th Amendment to Concession Contract No. CSPE/01/99 was signed for the exploration of public services for the distribution of piped gas until December 31, 2049 between the State of São Paulo (Granting Power) and the company. Among other provisions, the amendment provides performance targets that include the connection of 2.3 million new customers and expansion of the distribution pipeline network by more than 15,400 km, connecting 41 new municipalities, also promoting regulatory stability and an extensive modernization of the concession contract, in line with the current situation in the gas market and best practices in public service concessions. The following stand out: (i) the replacement of the IGP-M by the IPCA as an adjustment index; (ii) the reduction in the inflationary impact that would be paid by residential and commercial customers over the next two years; (iii) the pacification of controversies about the concession contract; and (iv) the inclusion of biomethane, a gas of renewable origin, in the supply matrix. Some known disclosure impacts refer to the waivers of certain regulatory claims, and which together amounted to approximately R$1,198 million. Also, the Company, at the time of signing the contractual addendum, agreed with the Regulatory Agency to settle certain regulatory discussions in which it was a defendant, in the approximate amount of R$68 million.

1.2 Cyber attack

On March 11, 2020, the Company, as well as the economic group in which it operates, suffered a cyber attack by ransomware that caused a partial and temporary interruption of its operations.

After the incident, the Company made significant investments in privacy, protection and information/cybernetic security, both in technologies and in processes and hiring for the teams. As part of the actions, we take steps to combat access and misuse of our information technology systems. As a result of these efforts, we mitigate additional incidents of data misuse or other undesirable activities by third parties.

In addition, we performed an audit and forensic assessment of the attack suffered and did not identify any relevant impacts on the Company's financial statements.

1.3 Covid-19

During the year ended December 31, 2021, the Company continued to monitor the evolution of the COVID-19 pandemic in Brazil and worldwide, in order to take preventive measures to minimize the spread of the virus, ensure the continuity of operations and safeguard health and safety of our employees and partners. The response to the pandemic has been effective in limiting impacts on our operating facilities, employees, supply chain and logistics.

Our covenants are evaluated monthly for our need to generate cash flows and our ability to comply with the covenants contained in the contracts that govern our indebtedness. Until December 31, 2021, the Company has been complying with all financial covenants.

Considering the interest rate level in Brazil, we consider that despite the short-term fluctuations of some macroeconomic assumptions due to the impacts of the COVID-19 pandemic, our weighted average cost of capital should not change materially.

The Company evaluated the circumstances that could indicate impairment of its non-financial assets and concluded that there were no changes in circumstances that would indicate impairment. Our tax recovery projections are based on the same scenarios and assumptions of the impairment assessment.

2 Conformity declaration

The financial statements are presented in thousands of Brazilian reais, unless otherwise indicated, including the notes to the financial statements and have been prepared in accordance with accounting practices adopted in Brazil, based on the provisions of the Brazilian Corporation Law, by the Brazilian Securities and Exchange Commission (CVM) - in the Pronouncements and Guidance issued by the Accounting Pronouncements Committee (CPC) - in the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The presentation of the Value Added Statements (DVA) is required by the Brazilian corporate law and by the accounting practices adopted in Brazil applicable to publicly-held companies CPC 09 – Statement of Added Value. IFRS do not require the presentation of this statement. Therefore result, under IFRS, this statement is presented as supplementary information, without prejudice to the financial statements as a whole.

The relevant information specific to the financial statements, and only them, are being evidenced and correspond to those used by management in its management.

These financial statements are prepared based on historical cost, except when indicated otherwise and were authorized for issue by the Board of Directors on February 17, 2022.

3 Accounting policies

The accounting policies are included in the explanatory notes, except those described below.

3.1 Functional and Presentation Currency

The financial statements are presented in reais, which is the Company's functional currency, as it is the currency of the primary economic environment in which the Company operates, generates and consumes cash.

3.2 Use of judgments and estimates

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis and recognized prospectively when applicable. Information on critical judgments, assumptions and estimates of uncertainties in the application of accounting policies that have a more significant effect on the amounts recognized in the financial statements are included in the following notes:

i. Note 5.3 - Accounts receivable from customers
ii. Note 5.9 - Fair value of derivatives and other financial instruments
iii. Note 7 - Intangible assets (definition of useful life)
iv. Note 9 - Commitments
v. Note 5.7 - Asset and liabilities sectorial
vi. Note 10 - Income and social contribution taxes
vii. Note 11 - Provisions for legal proceedings
viii. Note 18 - Post-employment benefits
ix. Note 19 - Share-based payments

4 Segment information

Management analyzes the financial performance considering the gross economic result separately by business segment. The regulatory agency determines the tariffs for the various business segments. The Company does not perform asset analysis by segment for business management. Finally, the definition of a cash-generating unit, representing the smallest asset in use that generates cash inflows, in the Company's context cannot be segregated by segment, since the same pipeline distributes gas to consumers in different segments.

Information by operating segments is presented in a manner consistent with the internal report provided to the chief operating decision maker. The chief operating decision maker is responsible for the allocation of resources and the performance evaluation of the operating segments.

The composition of the margin per segment is as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

		Margin per segment January 1, 2021 to December 31, 2021						
Segments	**Residential**	**Commercial**	**Industrial**	**Cogeneration**	**Automotive**	**Construction revenues**	**Other revenues**	**Total**
Volume (thousands of m³) (unaudited)	312,314	127,996	3,804,594	412,153	202,019	-	-	4,859,076
Gross revenue	2,141,200	595,928	9,708,259	806,413	484,906	1,020,176	268,555	15,025,437
Deductions	(530,914)	(147,313)	(2,322,002)	(168,924)	(120,242)	-	(26,329)	(3,315,724)
Net revenue	1,610,286	448,615	7,386,257	637,489	364,664	1,020,176	242,226	11,709,713
Cost	(403,275)	(168,935)	(5,588,886)	(524,369)	(303,431)	(1,020,176)	(187,380)	(8,196,452)
Gross profit	1,207,011	279,680	1,797,371	113,120	61,233	-	54,846	3,513,261
Selling expenses								(125,413)
General and administrative expenses								(835,103)
Other operating income, net								26,587
Operating expenses								(933,929)
Finance expense								(735,522)
Finance income								401,246
Foreign exchange gain (loss)								(60,888)
Derivatives								90,101
Financial result, net								(305,063)
Profit before taxes								2,274,269
Provision for income tax and social contribution								(155,148)
Profit for the year								**2,119,121**
Reconciliation of EBITDA								
Profit for the year								2,119,121
Provision for income tax and social contribution								155,148
Financial result, net								305,063
Amortization								436,093
Other amortization								(1)
EBITDA								**3,015,424**

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	Margin per segment January 1, 2020 to December 31, 2020							
Segments	**Residential**	**Commercial**	**Industrial**	**Cogeneration**	**Automotive**	**Construction revenues**	**Other revenues (ii)**	**Total**
Volume (thousands of m³) (unaudited)	301,517	114,920	3,335,512	319,907	157,565	-	-	4,229,421
Gross revenue	1,932,974	491,127	6,980,550	504,020	308,495	885,630	67,051	11,169,847
Deductions (i)	(551,377)	(140,366)	(1,949,812)	(114,288)	(88,365)	-	(7,948)	(2,852,156)
Net revenue	1,381,597	350,761	5,030,738	389,732	220,130	885,630	59,103	8,317,691
Cost	(334,212)	(127,975)	(3,738,537)	(305,225)	(176,557)	(885,630)	61,859	(5,506,277)
Economic gross profit	1,047,385	222,786	1,292,201	84,507	43,573	-	120,962	2,811,414
Selling expenses								(156,893)
General and administrative expenses								(707,526)
Other operating expenses, net								56,361
Operating expenses								(808,058)
Finance expense								(354,607)
Finance income								178,504
Foreign exchange gain (loss)								(150,227)
Derivatives								42,851
Financial result, net								(283,479)
Profit before taxes								1,719,877
Provision for income tax and social contribution								(569,264)
Profit for the year								**1,150,613**
Reconciliation of EBITDA								
Profit for the year								1,150,613
Provision for income tax and social contribution								569,264
Financial result, net								283,479
Amortization								379,261
Other amortization								(463)
EBITDA								**2,382,154**

(i) Recognized the initial asset and liabilities sectorial account balance by year. For further details, see note 5.7.

No specific customer or group represented 10% or more of net revenue in the years presented in other segments.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

5 Financial assets and liabilities

Accounting policy:

Financial assets are written off when the rights to receive cash flows from these assets have expired or when the Company has substantially transferred all the risks and rewards of ownership.

The Company ceases to recognize a financial liability when its contractual obligations are discharged, canceled or expired, nor when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized, at fair value. Any gain or loss is recognized in profit or loss.

The financial assets and liabilities are as follows:

	Note	December 31, 2021	December 31, 2020
Assets			
Amortized cost			
Cash and cash equivalents	5.1	771,817	1,327,356
Trade receivables	5.3	1,391,057	995,223
Sectorial assets	5.7	489,601	241,749
Receivables from related parties	5.4	1,817	769
		2,654,292	**2,565,097**
Fair value through profit or loss			
Financial investments (cash equivalents)	5.1	119,833	283,192
Marketable securities	5.2	1,027,467	991,820
Derivative financial instruments	5.8	287,837	420,586
		1,435,137	**1,695,598**
Total assets		**4,089,429**	**4,260,695**
Liabilities			
Amortized cost			
Loans, financing and debentures	5.5	(3,315,446)	(5,254,099)
Trade payables	5.6	(1,669,767)	(1,040,693)
Other financial liabilities		(91,933)	(95,428)
Dividends and interest on capital payable		(2,035)	(1,688)
Installment of tax debts		(5,786)	(6,234)
Leases		(47,268)	(10,320)
Sectorial liabilities	5.7	(1,372,283)	(565,911)
Payables to related parties	5.4	(7,435)	(8,930)
		(6,511,953)	**(6,983,303)**
Fair value through profit or loss			
Loans, financing and debentures	5.5	(3,634,890)	(1,789,810)
		(3,634,890)	**(1,789,810)**
Total liabilities		**(10,146,843)**	**(8,773,113)**

(In thousands of Brazilian Reais - R$, unless otherwise stated)

5.1 Cash and cash equivalents

Accounting policy:

They are measured and classified at fair value through profit or loss and amortized cost, being highly liquid, with maturity of up to three months, which are subject to an insignificant risk of change in value.

	December 31, 2021	December 31, 2020
Cash and bank deposits	40,041	33,697
Financial investments	851,609	1,576,851
	891,650	**1,610,548**

The financial investments are composed as follows:

	December 31, 2021	December 31, 2020
Investment funds		
Compromised operations	119,833	283,192
	119,833	**283,192**
Applications in banks		
Certificate of bank deposits	731,776	1,293,659
	731,776	**1,293,659**
	851,609	**1,576,851**

Repurchase transactions refer to purchases of assets, with repurchase commitments at a rate previously established by the parties, generally with a fixed term of 90 days or less or for which there are no penalties or other restrictions for early redemption.

Bank Deposit Certificates (CDBs) are securities issued by Brazilian financial institutions with original maturities of 90 days or less, for which there are no penalties or other restrictions for early redemption.

The Company's onshore financial investments are monetized at rates around 100% of the CDI on December 31, 2021 and 2020.

5.2 Marketable securities

Accounting policy:

They are measured and classified at fair value through profit or loss, with a maturity of more than three months and which are subject to an insignificant risk of change in value.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Government security	1,027,467	991,820
	1,027,467	**991,820**

Government securities bear interest at SELIC with return of approximately of 100% CDI and maturity between two and five years.

5.3 Accounts receivable from customers

Accounting policy:

Accounts receivable are initially recognized at the amount of consideration that is unconditional, owed to a customer (that is, time only has to elapse before payment of the consideration is due), unless they contain significant financial components, when are recognized at fair value. The Company maintains trade accounts receivable in order to receive contractual cash flows, subsequently measuring them at amortized cost using the effective interest method.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the corresponding historical credit losses experienced within this period. The historical loss rates may be adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

	December 31, 2021	December 31, 2020
Receivable from gas	491,818	417,671
Unbilled revenue [(i)]	975,588	667,793
Other	17,075	22,040
	1,484,481	**1,107,504**
Loss on impairment of accounts receivable	(93,424)	(112,281)
	(93,424)	**(112,281)**
Total	**1,391,057**	**995,223**
Current	**1,375,260**	**977,194**
Non-current	**15,797**	**18,029**

(i) Unbilled revenue refers to that part of the gas supply in the month, whose measurement and billing have not yet been made.

The aging of accounts receivable is as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	Expected loss	December 31, 2020	Expected loss
Not overdue	1,355,343	(2,605)	957,554	(2,035)
Overdue:				
From 1 to 30 days	27,375	(237)	20,165	(191)
From 31 to 60 days	8,150	(1,043)	8,148	(1,014)
From 61 to 90 days	3,958	(1,896)	3,433	(1,147)
More than 90 days	89,655	(87,643)	118,204	(107,894)
	1,484,481	**(93,424)**	**1,107,504**	**(112,281)**

The variation in the allowance for doubtful accounts is as follows:

January 1, 2020	**(100,941)**
(Provisions) / Reversals [(i)]	(25,638)
Write-off	14,298
December 31, 2020	**(112,281)**
(Provisions) / Reversals	1,792
Write-off	17,065
December 31, 2021	**(93,424)**

(i) The total recognized, approximately R$14,000 were additional due to higher defaults due to the COVID-19 pandemic, in which the amount was reversed in 2021.

5.4 Related parts

Accounting policy:

Commercial, financial and corporate transactions involving related parties are carried out at normal market prices and carried out in accordance with established contracts. Outstanding balances at year end aren't guaranteed, aren't subject to interest and are settled in cash. There were no guarantees given or received on any accounts receivable or payable involving related parties. At the end of each period, an analysis of the recovery of amounts and receivables is carried out and in this year no provision was recognized.

a) Accounts receivable and payable from related parties:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Current asset		
Commercial operations		
Raízen S.A. [i]	1,157	769
	1,157	**769**
Contractual operations		
Rumo Malha Paulista S.A.	85	-
Rumo Malha Norte S.A.	41	-
Rumo Malha Sul S.A.	519	-
Cosan Lubrificantes e Especialidades S.A.	15	-
	660	**-**
Total current asset	**1,817**	**769**
Current liabilities		
Contractual operations		
Raízen Energia S.A. [ii]	5,305	8,930
Raízen S.A.	2,130	-
	7,435	**8,930**
Total current liabilities	**7,435**	**8,930**

b) Transactions with related parties:

	December 31, 2021	December 31, 2020
Operation income		
Raízen S.A. [i]	9,213	12,195
Elevações Portuárias S.A. [ii]	439	624
	9,652	**12,819**
Expense intercompany		
Raízen Energia S.A. [iii]	(37,960)	(41,425)
	(37,960)	**(41,425)**

[i] Supply of gas to gas stations.

[ii] Gas supply.

[iii] Shared services executed by RESA of the Company's responsibility. The nature of the expenses related to the shared services center is related to the following services: IT processes, accounting, taxes, legal support, etc.

c) Remuneration of directors and officers:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

The Company has a compensation policy approved by the Board of Directors. Compensation for the Company's key management personnel includes salaries, contributions to a post-employment defined benefit plan and share-based compensation. We present below the effect on December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Short-term benefits to directors	25,665	24,402
Post-employment benefits	480	521
Long-term benefits to directors	4,370	-
Share-based payments	5,941	2,196
	36,456	**27,119**

5.5 Loans, financing and debentures

Accounting policy:

Initially measured at fair value, net of costs incurred in the transaction and subsequently at amortized cost.

The Company fail to recognize when the obligation specified in the agreement is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been terminated or transferred to another party and the consideration paid, including any transferred non-cash assets or liabilities assumed, is recognized in profit or loss as other income or financial expense.

Classified as current liabilities, unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

The terms and conditions of the loans are as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Description	Interest: Index	Interest: Annual interest rate (i)	December 31, 2021	December 31, 2020	Maturity	Objective
Warranty						
BNDES						
Project VI and VII	IPCA + 4,10%	14.53%	154,843	175,374	Apr-29	Investment
Project VIII	IPCA + 3,25%	13.60%	945,663	807,438	Apr-29	Investment
EIB	USD + LIBOR6M + 0,54%	1.11%	-	30,817	May-21	Working capital
	USD + LIBOR6M + 0,61%	0.80%	-	57,813	Sep-21	Working capital
			1,100,506	**1,071,442**		
No warranty						
Resolution 4131						
Scotiabank 2018	USD + 3,67%	3.67%	438,823	415,232	May-23	Working capital
Scotiabank 2020	USD + 1,59%	1.59%	-	388,912	Apr-21	Working capital
Scotiabank 2021	USD + 1,36%	1.36%	414,378	-	Feb-24	Working capital
Promissory note						
4th emission	CDI + 3,00%	4.96%	-	207,606	Apr-21	Working capital
5th emission	CDI + 3,40%	5.36%	-	520,116	Apr-21	Working capital
6th emission	CDI + 3,00%	4.96%	-	393,452	Apr-21	Working capital
Debentures						
4th emission - 2th issue	IPCA + 7,48%	18.25%	165,478	299,524	Dec-22	Investment
4th emission - 3th issue	IPCA + 7,36%	18.12%	108,451	97,956	Dec-25	Investment
5th emission - single	IPCA + 5,87%	16.48%	873,474	890,658	Dec-23	Investment
6th emission - single	IPCA + 4,33%	14.79%	501,278	452,457	Oct-24	Investment
7th emission - single	IGPM + 6,10%	12.11%	352,235	298,706	May-28	Working capital
8th emission - single	CDI + 0,50%	9.70%	2,033,161	2,007,848	Oct-22	Working capital
9th emission - 1th issue	IPCA + 5,12%	15.66%	484,974	-	Aug-31	Investment
9th emission - 2th issue	IPCA + 5,22%	15.77%	477,578	-	Aug-36	Investment
			5,849,830	**5,972,467**		
Total			**6,950,336**	**7,043,909**		
Current			**2,288,960**	**1,787,503**		
Non-current			**4,661,376**	**5,256,406**		

(i) Effective rates consider fixed rates of contracts plus indexes accumulated in the last 12 months, without considering the hedge effect (if applicable).

Non-current loans have the following maturities:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
13 to 24 months	1,443,892	2,222,517
25 to 36 months	1,047,810	1,477,342
37 to 48 months	135,491	623,971
49 to 60 months	215,980	171,794
61 to 72 months	215,980	238,050
73 to 84 months	216,025	238,050
84 to 96 months	261,191	238,095
Over 96 months	1,125,007	46,587
	4,661,376	**5,256,406**

The carrying amounts of loans, financing and debentures are denominated in the following currencies:

	December 31, 2021	December 31, 2020
Brazilian Reais (R$)	6,097,135	6,151,135
Dollar (US$) (i)	853,201	892,774
	6,950,336	**7,043,909**

(i) On December 31, 2021, all debts denominated in US dollars have hedge against exchange rate risk through derivatives (Note 5.8).

The table below shows the changes in loans, financing and debentures that occurred for the quarter ended December 30, 2021:

January 1, 2020	**5,244,942**
Raised	2,267,624
Payment of principal	(796,109)
Payment of interest	(280,472)
Monetary and exchange rate adjustment	607,924
December 31, 2020	**7,043,909**
Raised	1,557,805
Payment of principal (i)	(1,768,394)
Payment of interest	(419,092)
Interest, exchange variation and fair value	536,108
December 31, 2021	**6,950,336**

(i) On January 6, 2021, the advance payment of the 4th issuance, 5th issuance and 6th issuance of promissory notes raised to reinforce cash at the beginning of the pandemic in 2020 in the amount of R$ 1,080,000 was made. On February 23, the early settlement of loan 4131 of 2020 in the amount of R$ 407,250 took place. The other movements refer to ordinary payments of the Company's loan agreements.

Guarantees

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Until, September 2021, the financing contracts with the European Investment Bank ("EIB"), intended for investments, were guaranteed by bank guarantee, according to each contract. On September 15, 2021, such bank guarantees were liquidated, because of the expiration of the loan term. On December 31, 2020 was R$ 113,000.

Unused lines of credit

On December 31, 2021, the Company had credit lines in banks, which weren't used, in the amount of approximately R$ 2,500,000.

The use of these lines of credit is subject to certain contractual conditions.

Covenants

Some debts determine the compliance with certain financial indices (financial covenants) as follows:

Debt	Target	Index
BNDES	Net debt / EBTIDA not exceed 4.00	1.59
Resolution 4131	Net debt / EBTIDA not exceed 4.00	1.59
Debenture 4th until 9th emission	Net debt / EBTIDA not exceed 4.00	1.59
Debenture 4th emission	Loans current / Loans total not exceed 0.6	0.34

	December 31, 2021	December 31, 2020
Net debt (i)	4,790,650	4,031,275
EBITDA (*) (ii)	3,015,425	2,382,153
(=) Net debt/ EBITDA	**1.59**	**1.69**

(*) *last twelve months*

	December 31, 2021	December 31, 2020
Loans current (net of derivatives)	2,291,228	1,735,567
Loans total (net of derivatives) (iii)	6,709,767	6,633,643
(=) Loans current/ Loans total	**0.34**	**0.26**

(i) "Net debt" consists of current and non-current debt, net of cash and cash equivalents and marketable securities;

(ii) "EBITDA" corresponds to the net result ended in the last 12 (twelve) months, plus taxes on profit, financial expenses net of financial income and depreciation and amortization;

(iii) ""Total indebtedness" corresponds to the sum of loans, financing, debentures and leases of the Company, in the short and long term, on a consolidated basis (including the net balance of derivative transactions).

5.6 Trade payables

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Accounting policy:

The carrying amounts of suppliers are the same as their fair values, due to their short-term nature and are generally paid within 90 days of recognition.

	December 31, 2021	December 31, 2020
Natural gas suppliers	1,314,946	780,141
Materials and service suppliers	354,821	260,552
	1,669,767	**1,040,693**

The Company has contracts for the supply of natural gas with Petrobras and Gás Brasiliano under the following conditions:

- Contract with Petrobras a firm basis, started in January 2020, valid until December 2023, and with contractual daily quantity of national gas of 6.80 million m³ / day in the year 2022, denominated National Firm.

- Contract with Petrobras on a firm basis, starting in June 1999, effective until December 2021 and contractual daily quantity of Bolivian gas of 8.10 million m³ / day, known as TCQ.

- Gas contract entered into the Priority Thermoelectric Program (PPT) with Petrobras, to supply 0.3 million m³ / day with Ingredion Brasil Ingredientes Industriais Ltda, effective until March 31, 2023.

- Contract with Brasilian Gas in the firm mode, started in April 2008, valid until March 26, 2022 and contracted average monthly volume of 1.44 million m³ and contracted annual volume of 17.52 million m³.

In December 2021, a new contract was signed with Petrobras in the firm modality, valid from January 2022, indexed to the American currency, effective until December 2023 and contractual daily quantity of 6.40 million m³/day, called TC The price is composed of two installments: one indexed to Brent in the international market and adjusted quarterly; and the other adjusted annually based on local inflation.

The contracts for the supply of natural gas, Firme Nacional contract and TCQ, have prices composed of two installments: one indexed to a basket of fuel oils in the international market and readjusted quarterly; and another adjusted annually based on local. Both contracts are indexed to the US dollar.

5.7 Asset and liabilities sectorial

Accounting policy:

Sectorial financial assets and liabilities have the ability to neutralize the economic effects on the result of the Company, due to the difference between the cost of gas and rates contained in the portals issued by ARSESP, and effectively included in the tariff, at each tariff adjustment / review.

These differences between the real cost and the cost considered in the tariff adjustments generate a right as the cost realized for the highest tariff contemplated, or an obligation, when the costs are lower than the contemplated tariff. The differences are considered by ARSESP in the subsequent tariff adjustment, and are now included in the Company's tariff adjustment index.

As provided in Resolution No. 1010, any balances in the graphic accounts existing at the end of the concession will be indemnified by the subsidiary Comgás or returns to users in the period of 12 months before the concession period. The balance consists of: (i) the previous cycle (in amortization), which represents or the balance approved by ARSESP already included in the tariff and (ii) by the constitution cycle, which are the differences that will be approved by ARSESP in the next tariff readjustment.

In addition, this resolution dealt with the balance contained in the current account of taxes, which accumulates values related to tax credits taken advantage of by the Company, but which are essentially part of the tariff composition and must be subsequently transferred via the tariff.

With the advent of this resolution, the Company understands that there is no longer significant uncertainty that would hinder the recognition of sectorial financial assets and liabilities as amounts actually receivable or payable. Accordingly, on June 10, 2020, it recognizes the sectorial financial assets and liabilities in its financial statements. In the year ended December 31, 2021, the Company recorded a net sectorial financial liability balance of (R$ 813,973), of which (R$ 324,162) opening balance, R$ 129,465 against net operating revenue and cost of products sold, and (R$ 355,866) against income financial and (R$ 263,410) against other operating income.

The change in the net sectorial financial liability (liability) for the year ended December 31, 2021 was as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	Sectorial assets	Sectorial liabilities	Total
January 01, 2020	**-**	**-**	**-**
Cost of gas [i]	201,346	-	201,346
Credits of taxes [ii]	-	(565,911)	(565,911)
Monetary variations [iii]	13,458	-	13,458
Non-operating income	26,945	-	26,945
December 31, 2020	**241,749**	**(565,911)**	**(324,162)**
Cost of gas [i]	228,153	-	228,153
Credits of taxes [ii]	-	(167,397)	(167,397)
Monetary variations [iii]	19,699	(263,410)	(243,711)
Extemporaneous credits [iv]	-	(375,565)	(375,565)
Deferral of IPG-M [v]	68,709	-	68,709
December 31, 2021	**558,310**	**(1,372,283)**	**(813,973)**
Current	489,601	(85,866)	403,735
Non-current	68,709	(1,286,417)	(1,217,708)
	558,310	**(1,372,283)**	**(813,973)**

[i] Refers to the cost of gas purchased higher than that contained in the tariffs, 100% classified in current assets, since the ARSESP resolution provides for tariff recovery on a quarterly basis for the industrial segment, which is a substantial part of the volume of gas distributed by the Company.

[ii] Credits, mainly, from the exclusion of ICMS on the basis of PIS and COFINS, which will potentially be components of the tariff adjustment, and which should be discussed with ARSESP regarding reimbursement mechanisms and criteria.

[iii] Monetary restatement on the gas current account and untimely credit, based on the SELIC rate.

[iv] Credit for the exclusion of ICMS from the PIS and COFINS basis, see details of the process in note 6.

[v] Appropriation of the IGP-M deferral, referring to June to December 2021, for the residential and commercial segments.

5.8 Derivative financial instruments

Accounting policy:

Derivatives are recognized first by fair value on the date of a derivative contract is recognized and are subsequently remeasured at their fair value at the end of each reporting period. The fair value of subsequent accounting changes depends on if the derivative to be designated as a hedge financial instrument. hedge and, if positive, the nature of the subsequent hedge item. The Company designates certain derivatives as:

i. a hedge of the fair value of a recognized asset or liability (fair value hedge)
ii. a hedge of a particular risk associated with a recognized asset or liability, such as future interest payments on floating rate debt (cash flow hedge)

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective are recorded in the statement of income, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. The fairs of derivative financial instruments are designated in the hedging relationships below. The derivative is presented as a non-current asset or non-liability if the remainder of the instrument's birth is greater than 12 months and its realization or settlement within 12 months is non-current. Other derivatives are presented as current assets or liabilities.

Company considers as an assessment, by the beginning of the hedge also in a continuous way, on an ongoing basis, on the various hedging instruments should be highly efficient, measuring the offsetting changes and be sure of fair value or cash flows of the respective attributable hedged items. For the hedged risk, the actual results of each hedge are in a range from 60% to 140%.

The Company has a portfolio of energy contracts (purchase and sale) that meet the demands and offers of energy consumption or supply. In addition, there is a portfolio looking for forward contracts. For this portfolio, there is no purchase commitment as you have in a sales contract.

The Company has the flexibility to manage its contracts in this portfolio to obtain gains from variations in market prices, considering the policies and risk limits. Contracts in this case can be a cash settled contract or by another instrument (for example: entering a value offset contract; or “unwinding” contract or initial part; or before, shortly after the purchase, sell for the purpose of generating profit from short-term fluctuations in price or resale margin gain).

These energy market transactions, like sale and buy energy are active market transactions and should meet the definition of financial instruments and should be a cash settled transactions and read to be convertibles into cash. Such contracts are accounted for as derivatives and are recognized in the balance sheet at fair value, in which the derivative is entered into on the date and is revalued at the amount on the balance sheet date.

Financial assets and financial liabilities are Amount compensated and should be presented on the balance sheet when there is a legal right to offset the amounts recognized on them on a net basis, or to realize the asset and settle the liability simultaneously. The legal right shall not be contingent on future events and shall apply in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

The fair value of this data is estimated based in part on price quotations, published in active markets and when these values are available, and in part, by using valuation techniques, which consider: (i) prices announced in the recent purchase and sale operations, (ii) risk margin on supply and (iii) projected market price in the period of availability. Whenever the fair value at initial recognition for these contracts differs from the offer price, a fair value gain or fair value loss is recognized in the database.

- **Derivatives that do not qualify for hedge accounting**

(In thousands of Brazilian Reais - R$, unless otherwise stated)

On December 30, 2021 and 2020, fair values related to transactions involving derivative financial instruments to protect the Company's exposure to risk were using observable data such as quoted prices in active markets or discounted cash flow based on market curves, and are presented below:

	Notional [i]		Fair value	
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Interest rate and exchange rate risk				
Swap agreements (interest rate)	2,695,617	684,501	119,993	211,741
Swap agreements (interest rate and exchange)	675,375	687,723	167,844	208,845
	3,370,992	1,372,224	287,837	420,586
Total financial instruments contracted by the Company in assets			**287,837**	**420,586**
Current			**-**	**54,218**
Non-current			**287,837**	**366,368**

[i] These balances are equivalent to the notional amount in US Dollars converted into R$ at the Dollar rate on the day of hiring.

Derivatives are used only for economic hedging purposes and not as speculative investments.

Fair value hedge

Currently, the Company adopts fair value hedge accounting for some of its operations, both hedge instruments and hedged items are recorded at fair value through profit or loss.

The operational and accounting effects of this adoption are as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Interest rate hedge	Notional	Book value		Accumulated fair value adjustment	
		December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020
Loans, financing and debentures					
Designated items					
3rd issues – 3rd series	**-**	**-**	-	**-**	575
5th issues – single series	**684,501**	**(873,474)**	(890,658)	**17,184**	(22,040)
9th issues – 1st series	**500,000**	**(484,974)**	-	**(484,974)**	-
9th issues – 2nd series	**500,000**	**(477,578)**	-	**(477,578)**	-
BNDES Project VIII	**1,000,000**	**(921,949)**	-	**(921,949)**	-
Total debt	**2,684,501**	**(2,757,975)**	(890,658)	**(1,867,317)**	(21,465)
Derivative financial instruments					
Hedge instruments					
3rd issues – 3rd series	**-**	**-**	-	**-**	862
5th issues – single series	**(684,501)**	**(189,928)**	211,741	**(401,669)**	10,731
9th issues – 1st series	**(500,000)**	**5,776**	-	**5,776**	-
9th issues – 2nd series	**(500,000)**	**12,939**	-	**12,939**	-
BNDES Project VIII	**(1,000,000)**	**51,220**	-	**51,220**	-
Total derivative	**(2,684,501)**	**(119,993)**	211,741	**(331,734)**	11,593
Total	**-**	**(2,877,968)**	(678,917)	**(2,199,051)**	(9,872)

(i) The exposure of the BNDES Project VIII debt is substantially protected by the hedge contracted in July 2021, with a portion of less than 3% not being hedged and for practical purposes its segregation at amortized cost is irrelevant.

Fair value options

Certain derivative instruments have not been linked to documented hedge structures and, therefore, the hedge accounting expedient, provided for in CPC 48 – Financial Instruments, wasn't used. The Company opted to designate the protected liabilities (hedge objects) to be recorded at fair value through profit or loss. Considering that derivative instruments are always recorded at fair value through profit or loss, the accounting effects are the same that would be obtained through hedge documentation:

Book value

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Exchange rate hedge		***Notional***			**Accumulated fair value adjustment**	
			December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Loans, financing and debentures						
EIB 3rd Tranche	US$ + LIBOR6M + 0,54%	-	**-**	(30,817)	**-**	156
EIB 4th Tranche	US$ + LIBOR6M + 0,61%	-	**-**	(57,813)	**-**	308
4131 Scotiabank (2018)	US$ + 3,67%	(268,125)	**(438,823)**	(415,232)	**(18,230)**	(24,247)
4131 Scotiabank (2020)	US$ + 1,59%	-	**-**	(388,912)	**-**	1,967
4131 Scotiabank (2021)	US$ + 1,36%	(407,250)	**(414,378)**	-	**5,526**	-
Total debt		**(675,375)**	**(853,201)**	(892,774)	**(12,704)**	(21,816)
Derivative financial instruments						
EIB 3rd Tranche	BRL + 88,5% do CDI	-	**-**	21,176	**844**	24,927
EIB 4th Tranche	BRL + 81,1% do CDI	-	**-**	39,256	**2,583**	26,219
4131 Scotiabank (2018)	BRL + 107,9% do CDI	268,125	**168,358**	154,627	**20,794**	117,080
4131 Scotiabank (2020)	BRL + CDI + 2,75%	-	**-**	(6,214)	**15,711**	(12,904)
4131 Scotiabank (2021)	BRL + CDI + 1,25%	407,250	**(514)**	-	**(6,628)**	-
Total derivative		**675,375**	**167,844**	208,845	**33,304**	155,322
Total		**-**	**(685,357)**	(683,929)	**20,600**	133,506

5.9 Fair value measurements recognized

Accounting policy:

When the fair value of financial assets and liabilities cannot be derived from active markets, their fair value is determined using valuation techniques, including the discounted cash flow model. Inputs to these models are obtained from observable markets where possible, but when this is not feasible, a judgment degree is needed to determine fair values. Judgment is necessary in determining data such as liquidity risk, credit risk and volatility. Changes in these variables could affect the fair value.

Specific valuation techniques used to evaluate financial instruments include:

i. The use of quoted market prices;

ii. For swaps we use the present value of estimated future cash flows based on yield curves observable in the market;

iii. For other financial instruments, we analyze the discounted cash flow.

The Company has an established control structure in relation to the measurement of fair values. This includes an evaluation team that has overall responsibility for overseeing all significant fair value measurements, and reporting directly to the Board of Directors.

The treasury regularly reviews significant non-observable inputs and valuation adjustments. If third-party information, such as brokerage quotes or pricing services, is used to measure fair values, treasury evaluates evidence obtained from third parties to support the conclusion that such ratings meet the Company's policy requirements, including the level in the market.

Significant evaluation issues are reported to the Board of Directors. When measuring the fair value of an asset or liability, the Company uses observable market data as much as possible. Fair values are categorized at different levels into a fair value hierarchy based on inputs used in valuation techniques as follows.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

- • Level 1: inputs represent unadjusted quoted prices for the same instruments traded in active markets.

- • Level 2: inputs include directly or indirectly observable data (other than Tier 1) such as quoted prices for similar financial instruments traded in active markets, quoted prices for identical or similar financial instruments traded in inactive markets and other observable market data. The fair value of most of the Company's investments in securities, derivative contracts and securities.

- • Level 3: inputs to the asset or liability that are not based on observable market data (unobservable inputs). Management is required to use its own assumptions about unobservable inputs because there is little market activity in these instruments or related observable data that can be corroborated at the measurement date.

If the data used to measure the fair value of an asset or liability falls at different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety at the same level of the fair value hierarchy as the lowest level entry which is significant for the whole measurement.

The carrying amounts and fair value of financial assets and liabilities are as follows:

	Account		Assets and liabilities measured at fair value (i) Level 2	Level 2
	December 31, 2021	**December 31, 2020**	**December 31, 2021**	**December 31, 2020**
Assets				
Financial investments	119,833	283,192	119,833	283,192
Marketable securities	1,027,467	991,820	1,027,467	991,820
Derivate financial instruments	287,837	420,586	287,837	420,586
Total	**1,435,137**	**1,695,598**	**1,435,137**	**1,695,598**
Liabilities				
Loans, financing and debentures	(3,634,890)	(1,789,810)	(3,634,890)	(1,789,810)
Total	**(3,634,890)**	**(1,789,810)**	**(3,634,890)**	**(1,789,810)**

(i) Transactions with the Company's financial instruments that have an accounting balance equivalent to fair value are due to the fact that these financial instruments have characteristics substantially similar to those that would be obtained if they were traded on the market.

On December 31, 2021 and 2020, there was no change in the classification of levels.

5.10 Financial risk management

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Accounting policy:

This note explains the Company's exposure to financial risks and how these risks may affect its future financial performance. The current year's profit and loss information was included, where relevant, to add more context.

The Company's financial risk management is controlled by the treasury under policies approved by the Board of Directors. The Board provides written principles for global risk management as well as policies covering specific areas such as currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and excess liquidity investment. The Company's treasury identifies, evaluates and protects financial risks in close cooperation with the Company's operating units.

When all relevant criteria are met, hedge accounting is applied to eliminate the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in the recognition of interest expense at a fixed interest rate for floating rate secured loans.

The Company's policy is to maintain a robust capital base to promote investor, creditor and market confidence, and to ensure the future development of the business. Management monitors that return on equity is appropriate for each of its businesses.

The use of financial instruments to hedge against these areas of volatility is determined by means of an analysis of the risk exposure that the administration intends to cover.

a) Market risk

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, optimizing return.

The Company uses derivatives to manage market risks. All such transactions are carried out within the guidelines established by the risk management committee. Generally, the Company seeks to apply hedge accounting to manage volatility in profits or losses.

i. Cambial risk

On December 31, 2021 and December 31, 2020, the Company had the following net exposure to the exchange variation of assets and liabilities denominated in US Dollar:

	December 31, 2021	December 31, 2020
Loans, borrowings and debentures	(853,201)	(892,775)
Derivative financial instruments	853,201	892,775
Foreign exchange exposure, net	**-**	**-**

The sensitivity of the result to changes in exchange rates results mainly from financial instruments denominated in US dollars.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

The probable scenario was defined based on the US dollar market rates projected for December 31, 2021, which determines the fair value of the derivatives at that date. Stressed scenarios (positive and negative effects, before taxes) were defined based on adverse impacts of 25% and 50% on the US dollar exchange rates used in the probable scenario.

Based on the financial instruments denominated in US dollars, on December 31, 2021, the Company performed a sensitivity analysis with an increase and decrease in exchange rates (R$ / US$) of 25% and 50%.

The probable scenario considers the estimated exchange rates, performed by a specialized third party, on the maturity date of operations for companies with real functional currency (positive and negative, before tax effects), as follows:

	Exchange rate sensitivity analysis (R$/US$)					
			Scenarios			
	December 31, 2021	Probable	25%	50%	-25%	-50%
Dollar	5.58	5.70	7.13	8.55	4.28	2.85

			Scenario			
Instrument	**Risk factor**	**Probable**	**25%**	**50%**	**-25%**	**-50%**
Loans, borrowings and debentures	Increases in the exchange rate R$/US$	(18,270)	(217,868)	(435,736)	217,868	435,736
Derivative financial instruments	Decreases in the exchange rate R$/US$	18,270	217,868	435,736	(217,868)	(435,736)
Impacts on profit or loss		-	-	-	-	-

ii. Interest rate risk

The Company monitors fluctuations in variable interest rates related to its borrowings and mostly uses derivative instruments to minimize the risk of fluctuations in variable interest rates.

The probable scenario considers the estimated interest rate, made by a specialized third party and the Central Bank of Brazil (BACEN), as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	Sensitivity analysis of changes in interest rates				
					Scenario
	Probable	25%	50%	-25%	-50%
SELIC	11.15	13.94	16.73	8.36	5.58
CDI	11.15	13.94	16.73	8.36	5.58
TJLP	6.60	8.25	9.90	4.95	3.30
IPCA	4.61	5.76	6.91	3.46	2.30
IGPM	5.19	6.48	7.78	3.89	2.59

A sensitivity analysis on interest rates on loans and financing in compensation for CDI investments with 25% and 50% pre-tax increases and reductions is presented below:

		Scenario			
	Probable	25%	50%	-25%	-50%
Cash and cash equivalents	99,419	124,274	149,128	74,564	49,709
Financial investments	114,563	143,203	171,844	85,922	57,281
Derivatives financial instruments	(23,316)	42,565	4,003	128,225	175,912
Loans, financing and debentures	(442,420)	(547,337)	(652,255)	(337,502)	(232,584)
Impacts on income	**(251,754)**	**(237,295)**	**(327,280)**	**(48,791)**	**50,318**

b) Credit risk

The company's regular operations expose it to potential defaults when customers, suppliers and counterparties are unable to meet their financial or other commitments. The Company seeks to mitigate this risk by conducting transactions with a diversified set of counterparties. However, remains subject to unexpected financial failures from third parties that could disrupt its operations. The exposure to credit risk was as follows:

	December 31, 2021	December 31, 2020
Cash and cash equivalents	891,650	1,610,548
Marketable securities	1,027,467	991,820
Trade receivables [i]	1,391,057	995,223
Derivatives financial instruments	287,837	420,586
Receivables from related parties	1,817	769
	3,599,828	**4,018,946**

[i] On December 31, 2021, the Company had a portfolio of approximately 2,23 million customers in the residential, commercial, industrial, vehicular, cogeneration and thermo-generation segments, with no large consumer credit volume exceeding 10% sales, thus diluting the risk of default.

The Company is also exposed to risks related to its cash management activities and temporary investments, and any interruption affecting its financial intermediaries may also adversely affect its operations.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

The Company's exposure to commercial receivables risk (Note 5.3) is limited, given the large number of clients. However, still holds reserves for potential credit losses. Risk control assesses the credit quality of the customer portfolio, considering their financial position, past experience and other factors. Individual risk limits are defined based on internal or external classifications, in accordance with the limits established by Management. Compliance with customer credit limits is regularly monitored by Management.

Net assets are mainly invested in government securities and other investments in banks with a minimum grade of “A”, substantially reducing credit risk. The credit risk of cash and cash equivalents, marketable securities and derivative financial instruments is determined by classification instruments widely accepted by the market and are arranged as follows:

	December 31, 2021	December 31, 2020
AAA	2,206,007	2,620,975
AA	947	401,979
	2,206,954	**3,022,954**

c) Liquidity risk

Liquidity risk is the risk that the Company will face difficulties in meeting the obligations associated with its financial liabilities that are settled through the delivery of cash or other financial assets. The Company's approach to managing liquidity is to ensure, to the extent possible, that it has enough liquidity to meet its liabilities when they mature under normal and stress conditions without incurring unacceptable losses or risking damage to the Company's reputation.

The non-derivative financial liabilities of the Company classified by maturity dates (based on the undiscounted cash flows contracted) are as follows:

	December 31, 2021	December 31, 2020

	Up to 1 year	1 - 2 years	3 - 5 years	More than 5 years	Total	Total
Loans, financing and debentures	(2,706,024)	(1,615,542)	(4,319,777)	(2,633,635)	(11,274,978)	(7,800,217)
Derivatives financial instruments	(121,362)	312,769	883,386	168,138	1,242,931	392,625
Suppliers	(1,669,767)	-	-	-	(1,669,767)	(1,040,693)
Other financial liabilities [i]	(91,933)	-	-	-	(91,933)	(95,428)
Dividends and interest on own capital payable	(2,035)	-	-	-	(2,035)	(1,688)
Tax debts	(756)	(755)	(1,508)	(3,078)	(6,097)	(6,564)
Leases	(4,700)	(6,368)	(18,915)	(31,000)	(60,983)	(13,672)
Payables to related parties	(7,435)	-	-	-	(7,435)	(8,930)
	(4,604,012)	**(1,309,896)**	**(3,456,814)**	**(2,499,575)**	**(11,870,297)**	**(8,574,567)**

[i] On December 31, 2021, the consolidated balance anticipated by our suppliers with financial institutions was R$ 91,933 (R$ 95,428 on December 31, 2020). These operations had with Banco Santander as counterparty, at an average rate of 12.15% p.a. (6% p.a. on December 31, 2020). The average term of these operations, which are registered at present value at the aforementioned rate, is around 90 days.

6 Other recoverable taxes

Accounting policy:

Tax assets are measured at cost and mainly include: (i) tax effects that are recognized when the asset is sold to a third party or recovered through amortization of the asset's remaining economic life; and (ii) tax receivables that are expected to be recovered as refunds from the tax authorities or as a reduction for future tax liabilities.

	December 31, 2021	December 31, 2020
Contribution financing of social security (COFINS) [i]	787,661	35,539
ICMS (value added tax on sales and services) - State VAT	207,319	159,609
Social Integration Program (PIS) [i]	171,005	7,978
Other	38	10
	1,166,023	**203,136**
Current	**176,865**	**173,970**
Non-current	**989,158**	**29,166**

[i] On March 15, 2017, the Federal Supreme Court (“STF”) concluded the judgment of Extraordinary Appeal No. 574,706 and, under the general repercussion system, established the thesis that the Tax on Circulation of Goods and Services (“ICMS”) is not part of the calculation basis of the Social Integration Program (“PIS”) and the Contribution to Social Security Financing (“COFINS”), since this amount doesn’t constitute the Company's revenue/invoicing, that is, taxpayers have the right to exclude the amount related to ICMS highlighted in the invoice from the PIS and COFINS calculation basis.

In 2018, the Company recognized the credits referring to periods after March based on the decision rendered on that date by the STF, maintaining as contingent assets amounts arising from the action, not yet judged definitively, which date back to July 2008.

On May 13, 2021, the STF concluded the judgment on the modulation of the effects of the decision that excluded ICMS from the PIS and COFINS calculation basis (RE 574.706), confirmed as well that the ICMS to be considered in the matter is the highlighted in the invoice, not collected. According to the modulation defined by the STF, the effects of the right to exclusion from the ICMS would be valid from March 15, 2017 – the date on which the ministers decided on the merits in the Plenary of the Court. In the case of Company, since its original claim, its individual action dates back to July 2013, in accordance with the legal form of the modulation of the effects, the right to recover the undue amount was protected until July 2008. In this way, all relevant circumstances and, up to then, pending on the subject were overcome and, therefore, from the point of view of IAS 37 / CPC 25, the amounts related to the claim were no longer classified as contingent assets, since their existence was confirmed, and their realization is practically certain. Therefore, the Company recorded, on June 2021, the amount of R$ 957,663 (R$ 573,462 principal and R$ 383,201 monetary correction), which, updated on December 31, 2021, the amount of R$ 956,388 (R$ 563,175 principal and R$ 393,213 monetary correction), related to PIS and COFINS credits in its non-current assets, which includes monetary correction at the SELIC rate. The total amount is supported by Management based on calculations and supporting documentation, in order to substantiate the accuracy of the calculations. In August 2021, the final and appealable decision of the individual action filed by Company on the matter in 2013 was certified. The Company still considers it uncertain whether a portion of the credits recognized on December 31 may eventually be considered as a component of the tariff adjustment within the scope of the economic and financial balance of the concession contract, being that such interpretation gained greater clarity after the modulation of the effects by the STF in the judgment of May 13, 2021. Therefore, of the total amount of credits recognized on December 31, 2021, the Company provisioned the amount of R$ 638,976 (R$ 375,566 principal and R$ 263,410 monetary correction), equivalent to the uncertain portion, in its Sectoral Liabilities item, in non-current liabilities (Note 5.7). According to ARSESP Resolution No. 1,254 of December 8, 2021, from December 10,2021, tariffs already exclude ICMS based on PIS/COFINS.

7 Intangible Assets

Accounting policy:

a) Intangible assets related to the concession contract

The Company has a public concession agreement for a gas distribution service in which the Concession Authority controls what services will be provided and the price, in addition to having a significant stake in the infrastructure at the end of the concession. This concession agreement represents the right to charge users for gas supply during the term of the agreement. Accordingly, the Company recognizes this right as an intangible asset.

The assets acquired or built underlying the concession, necessary for the distribution of gas, are amortization over the period in which it is expected that the future economic benefits of the asset will be reversed to the Company, or the concession's final term, whichever comes first. This period reflects the economic useful life of each of the underlying assets that make up the concession, a portion of the asset is converted into a financial asset, as it represents an accounts receivable from the granting authority. This classification is in accordance with ICPC 01 / IFRIC 12 - Concession Contracts. This economic useful life is also used by the regulatory body to determine the basis for measuring the tariff for the provision of services under the concession.
The construction of the necessary infrastructure for the distribution of gas is considered a service to the Granting Authority and the related revenue is recognized at fair value. Financing costs directly related to construction are capitalized.

The Company doesn't recognize the margin in the construction of the infrastructure.

Contract assets are measured at cost, capitalized and transferred to intangible assets to the extent they are available for use by the concession.

The Company reassesses the useful life, whenever this assessment indicates that the amortization period will exceed the term of the concession agreement, a part of the asset is converted into a financial asset adjusted to fair value, as it represents a receivable from the granting authority. This classification is in accordance with ICPC 01 / IFRIC 12 - Concession Contracts.

b) Contracts with clients

Costs incurred in developing gas systems for new customers (including pipelines, valves and equipment in general) are recognized as intangible assets and amortized over the contract period.

c) Subsequent expenses

Subsequent expenses are capitalized only when the future economic benefits incorporated in the specific asset to which they relate are increased. All other expenses are recognized in the income statement as incurred.

d) Amortization

Amortization is recognized in the statement of income by the straight-line method, based on estimated useful lives, as of the date they are available for use.

The amortization of intangible assets reflects the expected standard for the use of future economic benefits by the Company, which corresponds to the useful life of the assets that make up the infrastructure.

The amortization of intangible assets is discontinued when the respective asset is fully utilized or written off, and is no longer included in the basis for calculation of the concession services fee, whichever occurs first.

	Concession agreement (i)	Customer loyalty efforts	Loyalty of customers in progress	Others	Total

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Cost					
January 1, 2020	**7,121,524**	**824,145**	**55,332**	**-**	**8,001,001**
Additions	-	-	111,659	-	111,659
Disposals	(50,969)	(132)	-	-	(51,101)
Transfers (ii)	772,792	88,983	(92,932)	1,787	770,630
January 1, 2021	**7,843,347**	**912,996**	**74,059**	**1,787**	**8,832,189**
Additions	-	-	154,900	-	154,900
Disposals (ii)	(169,815)	(44)	-	-	(169,859)
Transfers (ii)	974,063	159,107	(159,362)	2,274	976,082
December 31, 2021	**8,647,595**	**1,072,059**	**69,597**	**4,061**	**9,793,312**
Amortization					
January 1, 2020	**(2,578,083)**	**(717,686)**	**-**	**-**	**(3,295,769)**
Additions	(298,508)	(59,438)	-	(128)	(358,074)
Disposals	31,963	109	-	-	32,072
January 1, 2021	**(2,844,628)**	**(777,015)**	**-**	**(128)**	**(3,621,771)**
Additions	(344,729)	(87,944)	-	(602)	(433,275)
Disposals (ii)	152,236	114	-	-	152,350
Transfers	(2)	2	-	-	-
December 31, 2021	**(3,037,123)**	**(864,843)**	**-**	**(730)**	**(3,902,696)**
January 1, 2021	**4,998,719**	**135,981**	**74,059**	**1,659**	**5,210,418**
December 31, 2021	**5,610,472**	**207,216**	**69,597**	**3,331**	**5,890,616**

(i) The amount of the transfers also includes a portion of the intangible asset that was reclassified to a financial asset.

(ii) Includes the amount of R$ 142,316 related to the write-off of fully amortized assets.

Impairment

Intangible assets with defined useful lives, which are subject to amortization, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, which did not occur for the year. There are no intangibles with an indefinite useful life in the Company.

8 Contract assets

Accounting policy:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Contract assets are measured at acquisition cost, including capitalized borrowing costs. When the assets enter into operation, the amortizable amounts in the concession contract are transferred to intangible assets (Note 7).

	Contract assets
Cost value:	
January 1, 2020	**594,601**
Additions	885,631
Transfer to intangible assets	(793,542)
December 31, 2020	**686,690**
Additions	1,020,176
Transfer to intangible assets	(1,021,896)
December 31, 2021	**684,970**

During the year ended on December 31, 2021, R$ 83,046 was added to internally generated intangible assets (R$ 89,970 for the year ended on December 31, 2020).

The Company assumed commitments in its concession agreement that include investments (improvements and maintenance) to be carried out during the estimated concession period until 2049. The amounts of investments for expansion projects were R$ 10,408 million, operational support of R$ 10,026 million and administrative support in R$ 2,868 million, adjusted by rebalancing signed with the Granting Authority and annually updated by the tariff readjustment indexes.

Capitalization of loan costs

During the year ended on December 31, 2021 was capitalized R$ 33,829 at an average rate of 8.45% p.y. (R$ 36,522 and 7.40% for the year ended on December 31, 2020).

9 Commitments

Considering the current gas supply contracts, Company has a total financial commitment in an estimated present value of R$ 7,745,842, the amount of which includes the minimum established in the contract for both commodities and transport, with a term until December 2023.

10 Income tax and social contribution

Accounting policy:

The income tax and social contribution rate is 34%. Current and deferred taxes are recognized in income, except for certain transactions that are recognized in equity or other comprehensive income.

i. Current taxes

It is the tax payable or receivable expected on the taxable profit or loss for the year, using rates prevailing at the balance sheet date, and any adjustment to taxes payable in respect of prior years.

ii. Deferred taxes

It is recognized in respect of temporary differences between the carrying amounts of assets and liabilities and the respective amounts for tax purposes.

The measurement of deferred tax reflects the way in which the Company expects, at the end of the reporting period, to recover or settle the book value of its assets and liabilities.

Deferred tax is measured at the rates that are expected to be applied to the temporary differences in their reversal.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and if they relate to taxes levied by the same taxing authority on the same taxable entity.

iii. Tax exposure

When determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This valuation is based on estimates and assumptions and may involve a series of judgments about future events. New information may become available, which may cause the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes in tax obligations will impact tax expenses in the period in which such determination is made.

iv. Recoverability of deferred income tax and social contribution

In assessing the recoverability of deferred taxes, management considers the projections of future taxable income and the movements of temporary differences. When it is not probable that part or all the taxes will be realized, the tax asset is reversed. There is no indication of deferred tax not realized at the Company on December 31, 2019. There is no deadline for using tax losses and negative bases, but the use of these accumulated losses from previous years is limited to 30% of annual taxable profits.

a) Reconciliation of income tax and social contribution expenses

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Profit before income tax and social contribution	2,274,269	1,719,877
Income tax and social contribution - nominal rate (34%)	(773,251)	(584,758)
Adjustments to determine the effective rate		
Extemporaneous benefit of the ICMS (i)	290,745	-
Permanent addictions	(8,880)	(678)
Interest on capital	10,012	9,464
Benefit of the ICMS - current year (ii)	100,281	-
Other (iii)	225,945	6,708
Income tax and social contribution expense (current and deferred)	**(155,148)**	**(569,264)**
Effective rate	**6.82%**	33.10%

(i) In the current year, recognized the extemporaneous credit in the amount of R$ 358,898 (R$ 290,745 principal and R$ 68,152 interest), used through their compensation with IR, CSLL, PIS and COFINS payable overdue in the year, related to overpayments of Income Tax and Social Contribution for the years 2015, 2016 and 2019, when this benefit wasn't counted in the calculation of the IR and CSLL payable by the Company, due to the non-taxation of the benefit of the reduction of the ICMS calculation base in the State of São Paulo from 12% to 15.6% under art. 8 of Annex II of the ICMS Regulation, approved by State Decree No. 45,900 ("RICMS / SP"), with wording given by State Decree No. 62,399 / 2016. These credits were recognized by the Company based on its best understanding on the topic, substantiated by the opinion of its external legal advisors, which took into account all the jurisprudence applicable to the topic. The Company also took into account all the current accounting rules, which after analyzed together, did not indicate any other accounting effect to be recognized.

(ii) According detailed above, as from January 1, 2021, the Company changed its tax procedure, starting to exclude the benefit of the reduction in the ICMS calculation base, granted by the State of São Paulo, directly from the calculation of income tax and social contribution for the year.

(iii) The Company revised its IR / CSLL estimate for the year ended December 31, 2021 and, considering the effects of the judgment of STF RE No. 1,063,187, dated September 24, 2021, concluded that financial effects relating to the recomposition of assets in the event of repeated overpayment of taxes should not be included in the Company's taxable income in the amount R$ 219,586, which is determined definitively only at the end of the fiscal year of each year.

On December 31, 2021, we recognized the amount of R$ 58,127 in non-current assets, undue income tax and social contribution on Selic for the period from 2016 to 2020.

b) Deferred income tax assets and liabilities

(In thousands of Brazilian Reais - R$, unless otherwise stated)

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are shown below:

	December 31, 2021	December 31, 2020
Assets differences:		
Temporary differences	57,795	24,572
Exchange variation - Loans and financing [(i)]	-	40,866
Provision for legal proceedings	26,176	22,556
Post-employment benefit obligation [(ii)]	159,978	200,355
Impairment of trade receivables	11,429	14,254
Share-base payment transactions	2,666	3,027
Provisions for profit sharing	17,017	11,513
Other	23,533	7,999
Deferred taxes assets	**298,594**	**325,142**
Liabilities differences		
Useful life of intangible assets	(202,759)	(230,098)
Leases	(3,349)	(3,245)
Not realized result with derivatives	(127,681)	(97,047)
Other	(39,411)	(28,527)
Deferred tax liabilities	**(373,200)**	**(358,917)**
Total deferred taxes	**(74,606)**	**(33,775)**

(i) The Company, exercising its right to choose a tax regime at the beginning of the year 2021, opted for the accrual basis for taxing the exchange variation of loans and financing, thus realizing the balance of deferred income tax and social contribution.

(ii) The credit related to the provision of the post-employment benefit plan has an estimated financial realization period of 11.7 years.

c) Movements in deferred tax assets and liabilities

i. Deferred tax assets	Post-employment obligations	Benefit of employers	Provisions	Exchange variation - loans and financing	Other	Total
January 1, 2020	**214,387**	**11,713**	**86,479**	**6,904**	**54,846**	**374,329**
Recognized in profit or loss	14,961	2,827	(25,097)	-	(46,847)	(54,156)
Other comprehensive income	(28,993)	-	-	-	-	(28,993)
Amounts exchange	-	-	-	33,962	-	33,962
December 31, 2020	**200,355**	**14,540**	**61,382**	**40,866**	**7,999**	**325,142**
Recognized in profit or loss	(2,901)	5,143	34,018	-	15,534	51,794
Other comprehensive income	(37,476)	-	-	-	-	(37,476)
Amounts exchange	-	-	-	(40,866)	-	(40,866)
December 31, 2021	**159,978**	**19,683**	**95,400**	**-**	**23,533**	**298,594**

ii. Deferred tax liabilities	Assets	Non realized results of derivatives	Leasing	Other	Total
January 1, 2020	**(257,436)**	**(82,477)**	**243**	**(16,200)**	**(355,870)**
Recognized in profit or loss	27,338	(14,570)	(3,488)	(12,327)	(3,047)
December 31, 2020	**(230,098)**	**(97,047)**	**(3,245)**	**(28,527)**	**(358,917)**
Recognized in profit or loss	27,339	(30,634)	(104)	(10,884)	(14,283)
December 31, 2021	**(202,759)**	**(127,681)**	**(3,349)**	**(39,411)**	**(373,200)**
Total deferred taxes recorded					**(74,606)**

(In thousands of Brazilian Reais - R$, unless otherwise stated)

11 Provision for demands and judicial deposits

Accounting policy:

A provision is recognized, as result of a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources will be required to settle the obligation.

The assessment of the probability of loss includes the available evidence, the hierarchy of laws, case law, most recent court decisions and relevance in the legal system, as well as the opinion of outside lawyers. Provisions are reviewed and adjusted for circumstances such as limitation period, findings of tax inspections or additional exposures identified based on new matters or court decisions.

	Provision for lawsuits		Judicial deposit	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Tax	15,564	8,117	22,505	22,063
Civil, environmental and regulatory	28,282	24,177	29,691	26,729
Labor	41,055	41,942	10,166	11,602
	84,901	**74,236**	**62,362**	**60,394**

Changes in provisions for lawsuits:

	Tax	Civil, environmental and regulatory	Labor	Total
January 1, 2020	**8,663**	**47,213**	**72,859**	**128,735**
Provisions	-	2,077	4,786	6,863
Settlement / Write-offs	(419)	(20,232)	(20,811)	(41,462)
Monetary variation (i)	(127)	(4,881)	(14,892)	(19,900)
December 31, 2020	**8,117**	**24,177**	**41,942**	**74,236**
Provisions	3,766	2,034	2,659	8,459
Settlement / Write-offs	(61)	(1,572)	(3,368)	(5,001)
Monetary variation	3,742	3,643	(178)	7,207
December 31, 2021	**15,564**	**28,282**	**41,055**	**84,901**

(i) Includes write-down of interest by reversal.

Possible losses

(In thousands of Brazilian Reais - R$, unless otherwise stated)

The main processes for which we consider possible loss risk are described below:

	December 31, 2021	December 31, 2020
Tax	2,594,265	1,957,950
Civil, environment and regulatory	219,688	170,817
Labor	42,133	32,530
	2,856,086	**2,161,297**

a) Taxes

The main tax lawsuits, whose likelihood of loss is possible and, consequently, no provision was recognized in the financial statements, are as follows:

	December 31, 2021	December 31, 2020
Tax	2,378,879	1,742,168
Federal tax	115,074	118,372
Other	100,312	97,410
	2,594,265	**1,957,950**

The tax contingencies refer to tax assessments, mainly in the Federal sphere, assessed as possible losses by lawyers and by management, and therefore, without constitution of a provision. The chances in the balance refer to the receipt of new assessments in the quarter, related to existing issues, and the monetary restatement of said contingent liabilities.

b) Labor

Labor lawsuits refer to questions in several requests for complaints related to the payment of overtime and reflexes, additional of insalubrity, additional for hazardous work, subsidiary / joint liability, among others.

c) Civil

Civil lawsuits relate, in general, about the terminations or reviews of contracts, real rights, charging values and indemnities, resulting from the Company's activities, including demands on regulatory and environmental matters.

12 Shareholders' equity

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Accounting policy:

a) Share capital

Common and Preferred Shares

The common and preferred shares are classified in shareholders' equity. The incremental costs directly attributable to the issuance of new shares are shown in shareholders' equity as a deduction from the amount collected, net of taxes.

Dividends

The minimum dividend amounts established in the bylaws, 25%, are recorded as a liability at the end of each year. Any amount above the mandatory minimum is recognized as a liability only when approved by the shareholders at the general meeting.

Interest on shareholders 'equity is treated as dividends and is presented as a reduction in shareholders' equity. The related tax benefit is recorded in the statement of income.

Dividends are calculated and paid in accordance with the financial statements prepared in accordance with the accounting standards adopted in Brazil.

Legal reserve

It aims to increase the company's capital or absorb losses, but cannot be distributed in the form of dividends. It is constituted with the allocation of 5% of net income for the year up to the limit of 20% of the capital stock.

Profit retention reserve

The profit retention reserve refers to the retention of the remaining balance of profit for the year based on management's proposal, in order to meet the Company's business growth plan, according to the capital budget to be approved by the Board of Directors and submitted to the General Meeting.

The subscribed capital of R$ 536,315 is represented by 103,863 common shares without par value and fully paid-in and 28,658 class A preferred shares. There was no change in the number of shares in the years ended December 31, 2021 and 2020, and its composition is as follows:

	Number of share - thousand in December 31, 2021 and 2020					
Stockholders	**Common shares**	**%**	**Preferred shares**	**%**	**Total**	**%**
Compass Gás e Energia S.A.	103,699	99.84	27,682	96.59	131,381	99.14
Other	164	0.16	976	3.41	1,140	0.86
Total	**103,863**	**100.00**	**28,658**	**100.00**	**132,521**	**100.00**

b) Accumulated profits

(In thousands of Brazilian Reais - R$, unless otherwise stated)

January 01, 2020	
Result for the year	1,150,613
Interest on capital 2020, imputes to the minimum mandatory dividend	(27,837)
Transfer to legal reserve	(38,904)
Realization of revaluation reserve	-
Transfer to profit retention	(111,709)
Dividends	(972,163)
December 31, 2020	-

January 01, 2021	
Result for the year	2,119,121
Interest on capital 2021, imputes to the minimum mandatory dividend	(29,447)
Transfer to legal reserve [(i)]	-
Transfer to profit retention	(580,830)
Dividends	(1,508,844)
December 31, 2021	-

(i) On December 31, 2021, there was no constitution of a legal reserve, as according to the Company's bylaws, if the amount of the legal reserve exceeds 20% of the capital stock, it shouldn't be constituted.

c) Interest on own capital

On December 6, 2021, the Board of Directors approved the payment of interest on equity, for the period between January 1, 2021 and November 30, 2021, in the amount of R$ 29,447, before taxes, paid on December 13, 2021.

d) Dividends

On February 2, 2021, the Board of Directors approved the payment of interim dividends in the amount of R$ 150,000, of witch R$ 111,709 based on the balance of the profit reserve generated in the previous year and R$ 38,291 based on the profits generated in the current year. The total approved, R$ 149,968 were paid on February 17, 2021.

On December 6, 2021, the payment of interim dividends in the amount of R$1,470,553 was approved and approved based on the Company's interim financial statements as of October 30, 2021. The amount of R$1,470,243 was paid on December 20, 2021.

Result for the year	2,119,121

Profit available for distribution on December 31, 2021	**2,119,121**
Dividend calculation basis	**2,119,121**
Mandatory minimum dividends	**529,780**
Interest on capital	(29,447)
Income tax on interest on capital	4,417
Interest on capital - net	(25,030)
Interim dividends paid	(1,508,844)
Interest on capital and dividends	**(1,533,874)**
Profit to year destine in 2021	**580,830**

e) Allocation of the balance of income for the year

It shall be incumbent upon the next Ordinary General Meeting to resolve on the amount of retained earnings that exceeds the capital stock as established in Law No. 6404, article 199, as well as any allocation of net income.

13 Earnings per share

Accounting policy:

a) Basic earnings per share

Basic earnings per share are calculated:

i. The profit attributable to the controlling shareholders, excluding any service costs of equity other than common shares; and

ii. By the weighted average number of common shares outstanding during the year, adjusted by the bonus elements in common shares issued during the year.

b) Diluted earnings per share

Diluted earnings per share adjust the values used to determine basic earnings per share whereat:

i. The effect after tax of interest income and other financing costs associated with potential dilutive common shares; and

ii. The weighted average number of additional common shares that would be outstanding, assuming the conversion of all potential dilutive common shares.

The following table sets forth the calculation of earnings per share (in thousands of Reais, except per share amounts):

Earnings per share	**December 31, 2021**	**December 31, 2020**
Numerator		
Results for the year	2,119,121	1,150,613
Common shares	1,625,701	882,702
Preferred shares	493,420	267,911
Denominator (in thousands of shares)		
Weighted average number of common shares	103,863	103,863
Weighted average number of preferred shares	28,658	28,658
Earnings per share - R$		
Common shares	15.65240	8.49874
Preferred shares	17.21764	9.34861
Diluted earnings per share		
Numerator		
Results for the year	2,119,121	1,150,613
Common shares	1,621,894	880,106
Preferred shares	497,227	270,507
Denominator (in thousands of shares)		
Weighted average number of common shares	103,863	103,863
Weighted average number of preferred shares	28,947	29,021
Diluted earnings per share - R$		
Common shares	15.61574	8.47374
Preferred shares	17.17732	9.32111

The Company has a category of possible dilutive effect, which are its share-based compensation plans, in which case a calculation is made to determine the effect of dilution on profit attributable to the Company's controlling shareholders due to the exercise of stock options.

14 Net operating revenue

Accounting policy:

The Company recognizes revenues from the following ways:

i. Billed revenue

Gas distribution revenue is recognized when its value can be reliably measured and in the same period in which the volumes are delivered to customers, based on the monthly measurements performed.

ii. Unbilled revenue

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Unbilled gas revenue refers to the part of gas supplied billing and measurement has not yet occurred for customer. This amount is estimated based on the period between the date of the last measurement and the last day of the month.

Actual invoiced volume may be different from estimates. The Company believes that, based on its historical experience with similar operations, the estimated amount not billed will not differ significantly from the actual amounts.

iii. Revenue from concession construction

The construction of the necessary infrastructure for the distribution of gas is considered a construction service provided to the granting authority, and related revenue is recognized in the result in the final phase of the work.

Construction costs are recognized at the end of construction activity of the period, and are included in cost of sales.

iv. Revenue from services

Service revenues include fees for related and ancillary services to the gas distribution system, and are recognized when the amount of revenue can be reliably measured, when it is probable that the economic benefits associated with the transaction will flow, when the completion stage of the transaction at the end of the period can be reliably determined and measured, and when it is amount and related costs can be reliably measured. Revenues are recognized in the form point in time, for example the installation of new customers, or on an over-time, such as fees for distribution services to certain customers.

The following is an analysis of the Company's revenue for the years ended December 31, 2021 and 2020:

	December 31, 2021	**December 31, 2020**
Gross revenue from sales of products	13,736,707	10,217,166
Gross revenue from sales of services and others	268,554	67,051
Construction revenue	1,020,176	885,630
Indirect taxes and deductions	(3,315,724)	(2,852,156)
Net sales	**11,709,713**	**8,317,691**

15 Costs and expenses by nature

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Costs and expenses are presented in the income statement by function. The reconciliation of amounts by nature/purpose is as follows:

	December 31, 2021	December 31, 2020
Cost of gas	(6,137,104)	(3,867,044)
Cost of transportation and other	(1,039,172)	(753,603)
Construction revenue	(1,020,176)	(885,630)
Personal expenses	(201,904)	(184,717)
Expenses materials/ services	(322,519)	(300,441)
Amortization	(436,093)	(379,261)
	(9,156,968)	**(6,370,696)**
Cost of gas and services	(8,196,452)	(5,506,277)
Selling expenses	(125,413)	(156,893)
General and administrative expenses	(835,103)	(707,526)
	(9,156,968)	**(6,370,696)**

16 Other income (expenses), net

	December 31, 2021	December 31, 2020
PIS/COFINS extemporaneous credits (i)	187,609	-
Renewal of ARSESP concession agreement (ii)	(43,721)	-
Income from disposals and write-offs of property and equipment and intangible assets	(21,083)	(3,173)
Technological research and development	(3,986)	(2,431)
Net effect of not billed revenue (iii)	(59,607)	15,218
Net effect of legal proceedings	(9,691)	24,468
Other	(22,934)	22,279
	26,587	**56,361**

(i) Untimely credit for the exclusion of ICMS from the PIS and COFINS basis, see note 5.7 and 6.

(ii) Waiver of administrative and regulatory processes contemplated in the 7th Addendum to the Concession Agreement Renewal of the concession agreement, see note 1.1.

(iii) Refers to the recognition of the variation determined in the realization of unbilled revenue.

17 Finance results

Accounting policy:

Financial income comprises interest income on invested funds, gains on fair value of financial assets measured at fair value through profit or loss, gains on hedging instruments which are recognized in profit or loss. Interest income is recognized to the extent that it is recognized in profit or loss, using the effective interest rate method.
Financial expenses comprise interest expenses on loans, settlement of the discount of provisions

(In thousands of Brazilian Reais - R$, unless otherwise stated)

and deferral, losses on the fair value of financial assets at fair value through profit or loss, contingent consideration, reduction losses to recoverable amount recognized in financial assets (other than accounts receivable), losses on hedging instruments that are recognized in the income statement.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in the income statement using the effective interest method.

Foreign exchange gains and losses on financial assets and financial liabilities are reported on a net basis as financial income or financial expense, depending on whether the net foreign currency fluctuations result in a gain or loss position.

The details of revenues and financial costs are as follows:

	December 31, 2021	December 31, 2020
Cost of gross debt		
Interest on debt	(548,722)	(268,867)
Adjustment to fair value of debt and derivative	222,840	(126,356)
Exchange rate variation on debt	(60,888)	(150,227)
Exchange derivatives	(132,738)	169,206
Debt guarantees	(15,454)	(19,761)
	(534,962)	**(396,005)**
Financial investment income	115,111	63,642
	115,111	**63,642**
Cost of debt, net	**(419,851)**	**(332,363)**
Other charges and monetary variations		
Tax about financial income [(i)]	(28,529)	(6,534)
Interest on other operations [(i)]	246,501	63,085
Interest on customer	39,359	42,656
Interest on judicial deposits	871	2,244
Interest on actuarial liabilities and other	(67,030)	(51,327)
Other monetary variations	(22,624)	(560)
Interest on contingencies	(9,143)	11,011
Bank expenses	(4,202)	10,425
Fair value	(40,415)	(22,116)
	114,788	**48,884**
Financial results, net	**(305,063)**	**(283,479)**
Reconciliation		
Finance expense	(735,522)	(354,607)
Finance income	401,246	178,504
Exchange rate variation	(60,888)	(150,227)
Derivatives [(ii)]	90,101	42,851
Financial results, net	**(305,063)**	**(283,479)**

(i) Includes the result of the monetary restatement of the extemporaneous credit referring to the exclusion of ICMS from the PIS and COFINS basis, see notes 5.7 and 6.

(ii) Includes the result of exchange and interest derivatives.

18 Post-employment benefits

Accounting policy:

The cost of the post-employment benefit plan and the present value of the retirement obligation are determined using actuarial valuations. An actuarial valuation involves the use of several assumptions that can change from actual results in the future. These include determining the discount rate, future salary increases, mortality rates and future pension increases. A defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed by management on each balance sheet date.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions to a separate entity (Pension Fund) and has no legal or constructive obligation to pay additional amounts. Contribution obligations to defined contribution pension plans are recognized as employee benefit expenses in the statement of income in the periods during which services are done by employees.

Prepaid contributions are recognized as an asset on the condition that there is cash reimbursement or reduction in future payments is available. Contributions to a defined contribution plan whose maturity is expected to be 12 months after the end of the period in which the employee provides the service are discounted to their present values.

Defined benefit plans

The Company offers the post-employment benefits health assistance granted to former employees and their dependents retired until May 31, 2000. After this date, only employees with a 20-year contribution to the INSS and 15 years of uninterrupted work in the Company on May 31, 2000 are entitled to this defined benefit plan, provided that, at the date the retirement is granted, they are working at the Company.

The liability recognized in the balance sheet in relation to defined benefit post-employment plan is calculated annually by independent actuaries.

The amount recognized in the balance sheet in relation to the liabilities of the post-employment benefit plan represents the present value of the obligations less the fair value of the assets, including actuarial gains and losses. Remuneration of net obligation, which includes: actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. Net interest income and other expenses related to defined benefit plan are recognized in income.

Actuarial gains and losses arising from adjustments based on experience and changes in actuarial assumptions are recorded directly in shareholders' equity, as other comprehensive income, when they occur.

Details of the present value of the defined benefit obligation and the fair value of the plan assets are as follows:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Actuarial obligation at beginning of the year	570,750	632,865
Current service cost	487	540
Interest expense	41,310	45,897
Actuarial loss (gain) arising from financial assumptions	(106,104)	(15,622)
Actuarial gain arising from experience adjustment	(4,368)	(68,576)
Benefits payment	(24,822)	(24,354)
Actuarial obligation at the end of the year	**477,253**	**570,750**
Fair value of plan assets at beginning of the year	(6,174)	(2,316)
Interest income	(457)	(330)
Return on investments in the year (excluding interest income)	250	(1,078)
Contributions paid	(25,169)	(26,804)
Benefit payments	24,822	24,354
Fair value of plan assets end of the year	**(6,728)**	**(6,174)**
Net defined benefit liability	**470,525**	**564,576**

The Company has obligations related to post-employment benefit plans, which include medical care and retirement incentive, sick pay and disability pension, are recognized in accordance with CVM 695 Deliberation.

The defined benefit pension plan is governed by Brazilian labor laws, which require payments of the final salary to be adjusted to the consumer price index at the time of payment during retirement. The level of benefits provided depends on the length of service and the member's salary at retirement age.

The Company maintains with the Bradesco Vida e Previdência S.A., the Free Benefit Generating Plan (PGBL), a complementary open pension plan, structured in the capitalization financial regime and in the variable contribution modality approved by the Private Insurance Superintendence (SUSEP). The plan is the fixed income plan and has the objective of granting a pension benefit, in the form of a monthly income for life.

The total expense recognized in income for the year is as follows:

December 31, 2020	**564,576**
Current service cost	487
Interest expense	41,310
Expected return on plan assets	(25,626)
Actuarial gain	(110,222)
December 31, 2021	**470,525**

Total amount recognized as other accumulated comprehensive income:

(In thousands of Brazilian Reais - R$, unless otherwise stated)

	December 31, 2021	December 31, 2020
Amount accumulated at the beginning of the year		
Actuarial gain to changes in financial assumptions	106,104	15,622
Gain from adjustments by experience	4,118	69,654
Net actuarial gains	**110,222**	**85,276**

The main assumptions used to determine the Company's benefit obligations are as follows:

	December 31, 2021	December 31, 2020
Discount rate	9.09 p.y.	7.43 p.y.
Inflation rate	3.50% a.a.	3.70% a.a.
Future salary increases	6.60 p.y.	6.81 p.y.
Aging factor	3.00%	3.00%
Medical inflation	6.60 p.y.	6.81 p.y.
Overall mortality (segregated by gender)	AT-2000	AT-2000
Disable mortality table	IAPB-1957	IAPB-1957
Entry into disability (modified)	UP-84 Modified	UP-84 Modified
Turnover	0.60/(time in service + 1)	0.60/(time in service + 1)

The Benefit plan was evaluated by the management together with the (actuarial) specialists at the end of the year, in order to verify if the contribution rates are sufficient for the formation of reserves necessary for the current and future payments commitments.

The tax effects arising from this provision are recorded in note 10.

On December 31, 2021, the weighted average duration of the defined benefit obligation was 11.7 years (2020 in 14.9 years).

Sensitivity analysis

Changes in the discount rate for the balance sheet date in one of the relevant actuarial assumptions, while maintaining other assumptions, would have affected the defined benefit obligation as shown below:

Discount rate	
Increase	**Decrease**
0.5%	**-0.5%**
(25,019)	27,708

There was no change from previous years in the methods and assumptions used in the elaboration of the sensitivity analysis.

19 Share-based payment

Accounting policy:

The fair value of share-based payment benefits on the grant date is recognized as personnel expenses, with a corresponding increase in equity, for the period in which employees are unconditionally entitled to the benefits.

The amount recognized as an expense is adjusted to reflect the number of shares for which the service conditions and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of shares that actually meet the terms of service and non-market vesting conditions on the date the payment rights are vested (vesting date). For non-vesting share-based payment benefits, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no modification for differences between expected and actual benefits.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognized as an expense with a corresponding increase in the liability during the period in which the employees unconditionally acquire the right to payment. The liability is remeasured at each balance sheet date and on the settlement date, based on the fair value of the share appreciation rights. Any changes in the fair value of the liability are recognized in income as personnel expenses.

The Black-Scholes model was used to estimate the fair value of options traded without rights acquisition restrictions. The model requires the use of subjective assumptions, including the expected stock price volatility, the expected life of the stock option or the granting of shares and dividends.

The Company has share-based compensation plans that are settled in shares and cash. On December 31, 2021, it has the following share-based payment arrangements:

(i) Share grant plans (settled in shares), without lock-up, with delivery of shares at the end of the four-year grace period, conditioned only to the maintenance of the employment relationship (service condition).

(ii) The Company has granted a phantom shares plan that provides for the granting of share appreciation rights ("SARs") and other cash-based awards to certain employees. SARs provide the opportunity to receive a cash payment equal to the fair market value of Compass common stock, less the grant price.

The table below presents the data of stock-based payment programs:

Share grant program

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Program date	Exercise expectation (years) [(ii)]	Granting of plans	Exercised / canceled / transferred	In December 31, 2021	Fair value on grant date R$ [(i)]
04/20/17	5	61,300	(61,300)	-	51.36
08/12/17	4	97,780	(97,780)	-	54.25
08/01/18	4	96,787	(17,761)	79,026	59.66
07/31/19	4	83,683	(14,794)	68,889	79.00
		339,550	**(191,635)**	**147,915**	

Stock Based Compensation plan, paid by cash flow

Program date	Exercise expectation (years)	Granting of plans	Exercised / canceled / transferred	In December 31, 2021	Fair value on grant date R$
11/01/21	3	172,251	-	172,251	27.27
		172,251	**-**	**172,251**	

(i) The fair value measurement was performed using the Black-Scholes pricing model.

(ii) Twelve-month acceleration for the 2017, 2018 and 2019 plans, approved by the Board of Directors.

On December 31, 2021, the two 2017 plans were settled in cash, generating an effect in the amount of R$ 30,336 on the Company's equity, due to the variation in the share value on the grant date, in relation to the share value on the date of sale off.

Measurement of fair values

The weighted average fair value of the programs granted during the fiscal years ended December 31, 2021 and 2020 and the main assumptions used in the application of the Black-Scholes model were as follows:

	December 31, 2021	December 31, 2020
Weighted average fair value at grant date	78.58	78.58
Weighted average of key assumptions:		
Share price at grant date	79.00	79.00
Risk-free interest rate	6.82%	6.82%
Dividend yield	(5.39)	(5.39)
Volatility factor	32.81%	32.81%

The expected volatility was estimated considering the historical volatility of the Company's share price in a period proportional to the expected term. The expected term of the instruments was based on the historical experience and the general behavior of the option holder.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

Reconciliation of stock options

The movement in the number of outstanding premiums and their related weighted average strike prices are as follows:

	Share-based remuneration plan
December 31, 2020	**302,194**
Exercised	(154,279)
December 31, 2021	**147,915**

Expenses recognized in income

The share-based compensation expense included in the statement of income for the years ended December 31, 2021 and 2020 was as follows:

	Share-based remuneration plan
December 31, 2020	4,306
December 31, 2021	**3,634**

20 Subsequent events

On January 19, 2022, the Board of Directors decided to approve a new loan agreement with Scotiabank in the amount of USD 200 million, which has the following conditions: US dollar + 2.1335% p.y., swap CDI + 1.20 ay and maturity of 3 years, with full release on February 4, 2022.

On February 17, 2022, the Board of Directors resolved on the extraordinary optional amortization of 50% of the 8th issue of debentures, to be settled on February 24, 2022.

21 New standards with effect on the company

The Company didn’t change its accounting policies during the year ended December 31, 2021.

(In thousands of Brazilian Reais - R$, unless otherwise stated)

22 New standards and interpretations not yet effective

The following new standards, interpretations and amendments were issued by the CPC and the IASB, but aren't effective for annual periods beginning after January 1, 2021. Early adoption isn't permitted. In addition, based on an initial review, the Company currently believes that the adoption of these standards/amendments below will not have a material impact on the Company's consolidated results or financial position.

Applicable standard	Key requirements or changes in accounting policy
Amendments to CPC 48 / IFRS 9, CPC38 / IAS 39, CPC40 / IFRS 7, CPC11 / IFRS 4 and CPC 06 / IFRS 16 Effective from the year ended 31 December 2021	The amendments are applicable when an existing interest rate benchmark is replaced by another interest rate benchmark. The amendments provide a practical expedient that modifications to asset and liability values as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis (i.e. where the basis for determining contractual cash flows is the same), can be accounted for by only updating the effective interest rate. Additionally, hedge accounting is not discontinued solely because of the replacement of another interest rate benchmark. Hedging relationships (and related documentation) must instead be amended to reflect modifications to the hedged item, hedging instrument and hedged risk.
IFRS 17 Insurance Contracts Effective from the year ended December 31, 2023	This standard introduces a new model for accounting for insurance contracts. Work continues to review existing arrangements to determine the impact on adoption.

All other standards or amendments to standards issued by the CPC and IASB and that are in effect on January 1, 2022 are not applicable or relevant to the Company.