

# 1Q19 Earnings Release

São Paulo, May 07 2019 - Companhia de Gas de São Paulo - Comgas (B3: CGAS3 e CGAS5), announces its results for the first quarter of 2019 (1Q19). The following financial and operating information is presented in accordance with International Financial Reporting Standards (IFRS) and all comparisons are made with the first quarter of 2018 (1Q18) or as indicated.

Ex-thermal volume increased by 3% in 1Q19. Industrial volume increased 1.5% in relation to 1Q18, with the ceramic sector offsetting the weak industrial activity in the period.

Commercial volume grew 7% compared to 1Q18, reflecting the addition of more than 800 customers in the last 12 months.

The residential segment volume dropped by 4%, due to the higher average temperature in the period, partially offset by the addition of 99 thousand customers in the last 12 months.

Net revenue reached R\$ 2.1 billion in the period, 44% higher than in 1Q18, reflecting the increase in the cost of gas and its partial pass through to the tariff set by the regulator (ARSESP), coupled with the higher volume distributed in the period.

Gas and transportation costs increased by 57% in the quarter, explained by the increase in the cost of gas together with the higher volume distributed in the period.

Selling, general and administrative expenses, excluding amortization, totaled R\$ 117 million on the quarter, 3% increase in the period.

Normalized EBITDA totaled R\$ 499 million on quarter, an increase of 14% over 1Q18, reflecting higher sales volume, margin adjusted by inflation and expenses management.

Investments reached R\$ 181 million on 1Q19, in line with the capex planned for the year.

Recurring normalized Net Debt/EBITDA came to 0.58x at the end of 1Q19, reflecting the cash generation in the period.

## Summary of Financial Information

1Q19	1Q18	R\$ thousands	1Q19 x 1Q18
1,923,680	1,823,956	Total Customers	5.5%
1,107,666	1,071,736	Volume Ex-thermal	3.4%
447,143	374,370	EBITDA	19.4%
200,056	179,093	Net Income	11.7%
499,395	437,374	Normalized EBITDA	14.2%
240,877	219,360	Normalized Net Income	9.8%
181,217	111,935	CAPEX	61.9%
1,470,452	1,533,588	Net Debt	-4.1%
0.58x	0.95x	Normalized Leverage <sup>1</sup>	-38.9%

<sup>1</sup>- Normalized Net Debt / Normalized Recurring EBITDA last 12 months.

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Conference Call in Portuguese: Date: 05/08/2019 | Time: 10:00 (BRT) | Tel: +55 11 3193-1001 | Tel: +55 11 2820-4001 | Code: Comgas  
The conference call will include a presentation available for download at: [ri.comgas.com.br](http://ri.comgas.com.br)

## Volume

1Q19	1Q18	Volume (thousands m <sup>3</sup> )	1Q19 x 1Q18
53,750	56,117	Residential	-4.2%
38,569	35,876	Commercial	7.5%
874,101	860,792	Industrial	1.5%
85,016	70,991	Cogeneration	19.8%
56,230	47,960	Automotive	17.2%
<b>1,107,666</b>	<b>1,071,736</b>	<b>Total</b>	<b>3.4%</b>
12.3	11.9	mm <sup>3</sup> /day	3.4%

### Residential:

The segment presented a decrease of 4.2% in 1Q19, mainly explained by the higher average temperature in the period. Despite the lower volume, 99 thousand customers were added in 12 months, increasing the customer base by 5.5%.

### Commercial:

The segment posted a growth of 7.5% in 1Q19, justified by the addition of 876 customers.

### Industrial:

Growth of 1.5% in relation to 1Q18, with some sectors offsetting the weak industrial activity in the period. Highlights for the Chemical / Petrochemical, Ceramic and Paper and Pulp sectors.

### Cogeneration:

19.8% growth in 1Q19, supported by the additional demand on some customers.

### Automotive (NGV):

Increase of 17.2% in relation to 1T18, justified by the competitiveness of natural gas compared to other liquid fuels.

## Net Revenue

Net revenue reached R\$ 2.1 billion, 44.0% higher than in 1Q18, reflecting the pass thought of the gas and its transportation costs increase to the tariffs defined by the regulatory agency, as well as the higher volume distributed in the period.

1Q19	1Q18	R\$ thousand	1Q19 x 1Q18
<b>2,607,433</b>	<b>1,850,336</b>	<b>Gross Revenue from Sales/Services</b>	<b>40.9%</b>
-547,381	-419,460	Gross Revenue Deductions	30.5%
<b>2,060,052</b>	<b>1,430,876</b>	<b>Net Revenue</b>	<b>44.0%</b>
1,886,754	1,327,496	Gas Sales	42.1%
159,936	89,493	Construction Revenue	78.7%
13,361	13,887	Other Revenues	-3.8%

## Cost of Goods and Services

Total cost of goods and services sold, which consists mainly of the gas cost (commodity), transportation, and construction, totaled R\$ 1,499 million in 1Q19, an increase of 59.0% compared to 1Q18.

Gas and transportation costs came to R\$ 1,333 million in the quarter, increasing 56.8% from the previous period. This variation reflects the higher unitary cost of gas and the higher volume distributed in the quarter. The increase in the unitary cost of gas was primarily due to the exchange rate variation.

1Q19	1Q18	R\$ Thousands	1Q19 x 1Q18
-1,333,004	-849,988	Cost of Gas and Transportation	56.8%
-159,936	-89,493	Construction costs	78.7%
-5,987	-2,951	Other costs	>100%
<b>-1,498,927</b>	<b>-942,432</b>	<b>Cost of Gas and/ or Services</b>	<b>59.0%</b>

The differences between the actual cost incurred and the cost of gas embedded in the tariff (and billed to customers according to the tariff structure set by ARSESP) are accumulated in the regulatory current account and passed through/billed as determined by ARSESP in the periodic price adjustments or tariff reviews. This balance is adjusted on a monthly basis by the basic interest rate (Selic).

At the end of the period, the current balance of the current regulatory account amounted R\$ 313 million. In accordance with accounting standards, this balance is not booked in the Company's records and it is disclosed in Note 10 of the Company's Financial Statement.

## Operational Expenses/Revenues

The Operational Expenses dropped by 1.1% in the period, totaling R\$ 199 million.

Selling, general and administrative expenses, excluding amortization, totaled R\$ 117 million in 1Q19, 3.2% higher than 1Q18, below inflation.

1Q19	1Q18	R\$ Thousands	1Q19 x 1Q18
-33,304	-36,292	Selling Expenses	-8.2%
-84,146	-77,529	General and Administrative Expenses	8.5%
<b>-117,450</b>	<b>-113,821</b>	<b>Sales, General and Administrative Expenses</b>	<b>3.2%</b>
3,469	-253	Other Operating Expenses/ Revenues	n/a
-84,916	-86,937	Amortization	-2.3%
<b>-198,897</b>	<b>-201,011</b>	<b>Operational Expenses/ Revenues</b>	<b>-1.1%</b>

## EBITDA

Normalized EBITDA totaled R\$ 499 million in 1Q19, an increase of 14.2% over 1Q18, due to higher sales volume and efficiency in operating expenses. IFRS EBITDA reached R\$ 447 million in 1Q19, 19.4% higher than 1Q18. In addition to the effects reported in Normalized EBITDA, the IFRS results are justified by the lower accumulation of regulatory current account to be received from the customers in 1Q19 when compared to the amount returned to the customers during 1Q18.

1Q19	1Q18	R\$ Thousands	1Q19 x 1Q18
2,060,052	1,430,876	Net Sales	44.0%
-1,498,927	-942,432	Cost of Gas and/or Services	59.0%
561,125	488,444	Gross Revenue	14.9%
-117,450	-113,821	SG&A Expenses	3.2%
3,469	-253	Other Operating Expenses/ Revenues	n/a
447,143	374,370	EBITDA	19.4%
<b>499,395</b>	<b>437,374</b>	<b>Normalized EBITDA</b>	<b>14.2%</b>
<b>0.45</b>	<b>0.41</b>	<b>Normalized EBITDA Margin (R\$/ M<sup>3</sup>)</b>	<b>10.5%</b>

## Net Financial Expenses/Revenues

Net financial revenues and expenses reached R\$ -52 million in 1Q19 (R\$ -21 million in 1Q18). The evolution in financial expenses was impacted by debt linked to inflation and non-recurring credits in 1Q18.

## Net Income

The net income normalized by the regulatory current account was R\$ 241 million in 1Q19, (R\$ 200 million in IFRS), 9.8% higher than in 1Q18.

## Investments

Investments totaled R\$ 181 million in 1Q19, in line with the projections for the period.

## Debt

Net debt decreased by 5.5% when compared to December 2018. Of the total loans, 81.8% matures in long term. The Normalized net leverage decreased from 0.67x in December 2018 to 0.58x in March 2019, reflecting the cash generation in the period.

Mar 19	Dec 18		Mar 19 x Dec 18
1,229,485	1,322,666	Loans and Financing	-7.0%
2,397,681	2,328,879	Debentures	3.0%
-374,796	-368,928	Derivatives	1.6%
3,252,370	3,282,617	Total Debt	-0.9%
14,842	0	Leasing	n/a
<b>1,796,760</b>	<b>1,727,341</b>	<b>(-) Cash, Cash Equivalents And Marketable Securities</b>	<b>4.0%</b>
1,470,452	1,555,276	Net Debt	-5.5%
2,258,481	2,185,708	EBITDA (last 12 months)	3.3%
2,000,272	1,938,296	Normalized EBITDA (last 12 months) <sup>1</sup>	3.2%
313,209	251,360	Regulatory Current Account	24.6%
0.18	0.17	Short Term Debt/Total Debt	5.6%
0.65x	0.71x	<b>Leverage</b>	<b>-8.5%</b>
<b>0.58x</b>	<b>0.67x</b>	<b>Normalized Leverage<sup>2</sup></b>	<b>-14.0%</b>

1 - Recurring | 2 - Normalized Net Debt / Normalized Recurring EBITDA in the last 12 months.

## Guidance

This section contains the projections by range of variation of some operational and financial parameters of Comgas for the fiscal year 2019, as well as the results from 2018. In addition, the other parts of this report may also contain projections. Such projections are only estimative and indicative, and are not a guarantee of any future results.

	2018	Guidance 2019	
	Achieved	Min	Max
Total customers (thousand)	1,905	2,005	2,025
Volume ex-thermal (mm m <sup>3</sup> )	4,543	4,600	4,750
Normalized EBITDA (R\$m) <sup>1</sup>	1,938	1,950	2,100
CAPEX (R\$m)	530	400	900

<sup>1</sup> - Recurring

**Disclaimer:** This document contains forward-looking statements and information. Such statements and forward-looking statements are only forward-looking statements and not guarantees of future performance. We caution all stakeholders that such forward-looking statements and information are and will be subject to risks, uncertainties and factors relating to Comgas operations and business environments, as a result of which actual results may differ materially of future results expressed or implied by the forward-looking statements and information.

## Income Statement – IFRS

1Q19	1Q18	R\$ thousand	1Q19 x 1Q18
2,607,433	1,850,336	Gross Revenue from Sales/Services	40.9%
-547,381	-419,460	Gross Revenue Deductions	30.5%
<b>2,060,052</b>	<b>1,430,876</b>	<b>Net Revenue</b>	<b>44.0%</b>
1,886,754	1,327,496	Gas Sales	42.1%
159,936	89,493	Construction Revenue	78.7%
13,361	13,887	Other Revenues	-3.8%
<b>-1,498,927</b>	<b>-942,432</b>	<b>Cost of Gas and/or Services</b>	<b>59.0%</b>
-1,338,991	-852,939	Cost of Gas and Transportation	57.0%
-159,936	-89,493	Construction Costs	78.7%
<b>561,125</b>	<b>488,444</b>	<b>Gross Profit</b>	<b>14.9%</b>
<b>-198,897</b>	<b>-201,011</b>	<b>Other Operational Results</b>	<b>-1.1%</b>
-33,304	-36,292	Selling Expenses	-8.2%
-169,062	-164,466	General and Administrative Expenses	2.8%
3,469	-253	Other Operational Expenses	n/a
<b>362,228</b>	<b>287,433</b>	<b>Operating Income</b>	<b>26.0%</b>
<b>-52,477</b>	<b>-21,629</b>	<b>Net Financial Expenses</b>	<b>&gt;100%</b>
<b>309,751</b>	<b>265,804</b>	<b>Earnings Before Income Tax and Social Contribution</b>	<b>16.5%</b>
-109,695	-86,711	Income Tax and Social Contribution	26.5%
<b>200,056</b>	<b>179,093</b>	<b>Net Income</b>	<b>11.7%</b>
<b>Net Earnings Per Share (R\$)</b>			
1.48	1.33	Common	11.3%
1.63	1.46	Preferred	11.6%



## Income Statement - Normalized

1Q19	1Q18	R\$ thousand	1Q19 x 1Q18
2,607,433	1,850,337	Gross Revenue from Sales/Services	40.9%
-583,239	-424,163	Gross Revenue Deductions	37.5%
2,024,194	1,426,174	Net Revenue	41.9%
1,850,897	1,322,794	Gas Sales	39.9%
159,936	89,493	Construction Revenue	78.7%
13,361	13,887	Other Revenues	-3.8%
-1,401,379	-874,725	Cost of Gas and/or Services	60.2%
-1,241,443	-785,232	Cost of Gas and Transportation	58.1%
-159,936	-89,493	Construction Costs	78.7%
622,815	551,449	Gross Profit	12.9%
-208,335	-201,011	Other Operational Results	3.6%
-33,304	-36,292	Selling Expenses	-8.2%
-169,062	-164,466	General and Administrative Expenses	2.8%
-5,969	-253	Other Operational Expenses	>100%
414,480	350,438	Operating Income	18.3%
-42,879	-23,622	Net Financial Expenses	81.5%
371,601	326,816	Earnings Before Income Tax and Social Contribution	13.7%
-130,724	-107,455	Income Tax and Social Contribution	21.7%
240,877	219,360	Net Income	9.8%

## Cash Flow Statement

1Q19	1Q18	R\$ thousand	1Q19 x 1Q18
309,751	265,804	<b>Profit Before Income Tax and Social Contribution</b>	<b>16.5%</b>
85,100	87,076	Amortization	-2.27%
5,757	1,252	Loss on the Write-off of Intangible Assets	>100%
6,828	6,564	Provision for profit sharing	4.03%
350	1,000	Provision for Judicial demands	-65.04%
2,103	4,340	Impairment of trade receivables	-51.54%
555	313	Granted Options Recognized	77.29%
62,392	67,554	Interest and Monetary Variation	-7.64%
-9,438	0	Recovery taxes program	n/a
-44,364	-3,780	Others	>100%
<b>419,033</b>	<b>430,123</b>	<b>Cash Generated from Operations</b>	<b>-2.6%</b>
<b>-98,122</b>	<b>-71,103</b>	<b>Variations in Assets and Liabilities</b>	<b>38.0%</b>
-207,664	2,629	Accounts Receivable	n/a
60,835	-56,796	Taxes and Contributions	n/a
-86	5,380	Inventories	n/a
-34,649	-34,229	Provisions and employee benefits	1.23%
14,820	15,458	Suppliers	-4.12%
-9,971	-3,545	Others	>100%
-207,664	2,629	Accounts Receivable	n/a
<b>320,911</b>	<b>359,020</b>	<b>Cash Flow from Operating Activities</b>	<b>-10.6%</b>
<b>59,118</b>	<b>17,399</b>	<b>Cash Flow from Investing Activities</b>	<b>&gt;100%</b>
205,272	113,477	Marketable Securities	80.89%
-146,182	-97,201	Additions to Intangible Assets	50.39%
28	1,123	Cash received from sale of permanent assets	-97.52%
<b>-117,741</b>	<b>-619,254</b>	<b>Cash Flow from Financing Activities</b>	<b>-81.0%</b>
-108,529	-499,397	Amortization from Principal, Loans and Financing	-78.27%
-14,777	-25,401	Interest paid on Loans and Financing	-41.83%
16,851	74,708	Derivative Financial Instruments	-77.44%
-10,518	-169,164	Dividends Paid	-93.78%
<b>262,288</b>	<b>-242,835</b>	<b>Net Income in Cash and Cash Equivalents</b>	<b>n/a</b>
<b>602,618</b>	<b>1,727,521</b>	<b>Opening Balance of Cash and Cash Equivalents</b>	<b>-65.1%</b>
<b>864,906</b>	<b>1,484,686</b>	<b>Closing Balance of Cash and Cash Equivalents</b>	<b>-41.7%</b>



## Balance Sheet

R\$ thousand	Mar 19	Dec 18	Mar 19 x Dec 19
<b>TOTAL ASSETS</b>	<b>8,603,582</b>	<b>8,360,577</b>	<b>2.9%</b>
<b>Current Assets</b>	<b>3,364,627</b>	<b>3,232,515</b>	<b>4.1%</b>
Cash and Cash Equivalents	864,906	602,618	43.5%
Marketable Securities	931,854	1,124,723	-17.1%
Accounts Receivable	886,922	674,992	31.4%
Inventories	63,452	65,259	-2.8%
Income Tax and Social Contribution	0	72,143	-100.0%
Taxes Recoverable	292,862	292,204	0.2%
Derivative Financial Instruments	116,189	114,891	1.1%
Receivables from Related Parties	1,144	1,158	-1.2%
Gas paid and not used	176,059	254,651	-30.9%
Other Current Assets	31,239	29,876	4.6%
<b>Non Current Assets</b>	<b>5,238,955</b>	<b>5,128,062</b>	<b>2.2%</b>
Accounts Receivable	18,905	20,155	-6.2%
Other recoverable taxes	11,756	11,076	6.1%
Derivative Financial Instruments	258,607	254,037	1.8%
Judicial Deposits	53,471	52,885	1.1%
Others	567	756	-25.0%
Right of use	14,662	0	n/a
<b>TOTAL LIABILITIES</b>	<b>8,603,582</b>	<b>8,360,577</b>	<b>2.9%</b>
<b>Current Liabilities</b>	<b>2,004,547</b>	<b>1,915,211</b>	<b>4.7%</b>
Loans, Financing and Debenture	707,192	679,735	4.0%
Suppliers	1,052,190	1,012,895	3.9%
Others Financial Liabilities	25,561	52,868	-51.7%
Payable and Related Parties	8,442	14,994	-43.7%
Salaries and Social Deductions	35,699	63,520	-43.8%
Income tax payables	9,199	0	n/a
Other taxes payable	156,152	70,768	>100%
Dividends and Interest on Capital Payable	1,033	11,551	-91.1%
Leases	2,088	0	n/a
Other Payables	6,991	8,880	-21.3%
<b>Non Current Liabilities</b>	<b>3,677,100</b>	<b>3,724,043</b>	<b>-1.3%</b>
Loans, Financing and Debenture	2,919,974	2,971,810	-1.7%
Provisions for Contingencies	121,903	120,972	0.8%
Deferred income and social contribution taxes	93,897	102,426	-8.3%
Obligations with retirement benefits	508,124	504,320	0.8%
Deferred income	6,392	6,464	-1.1%
Leases	12,754	0	n/a
Other non-current liabilities	14,056	18,051	-22.1%
<b>Equity</b>	<b>2,921,935</b>	<b>2,721,324</b>	<b>7.4%</b>
Share Capital	1,650,032	1,650,032	0.0%
Capital Reserve	60,587	60,032	0.9%
Revaluation Reserve	5,761	5,761	0.0%
Retained Earnings	200,056	0	n/a
Carrying value adjustments	-161,597	-161,597	0.0%
Profit reserves	1,167,096	1,167,096	0.0%

## Appendix I - Markets

1Q19	1Q18	Residential	1Q19 x 1Q18
1,246,914	1,207,176	Meters	3.3%
1,904,216	1,805,430	Numbers of UDA's	5.5%
53,750	56,117	Volume (mm m <sup>3</sup> )	-4.2%
210,927	190,195	Net Revenue	10.9%
-68,111	-45,104	Cost	51.0%
1,259	4,423	Regulatory Current Account	-71.5%
144,075	149,514	Normalized Margin	-3.6%
2.68	2.66	R\$/m <sup>3</sup> Normalized	0.6%

\*UDA's (Householders)

1Q19	1Q18	Commercial	1Q19 x 1Q18
17,900	17,024	Meters	5.1%
38,569	35,876	Volume (mm m <sup>3</sup> )	7.5%
103,927	81,550	Net Revenue	27.4%
-48,724	-28,805	Cost	69.2%
1,640	2,771	Regulatory Current Account	-40.8%
56,843	55,516	Normalized Margin	2.4%
1.47	1.55	R\$/m <sup>3</sup> Normalized	-4.8%

1T19	1T18	Industrial	1T19 x 1T18
1,291	1,221	Meters	5.7%
874,101	860,792	Volume (mm m <sup>3</sup> )	1.5%
1,388,408	941,880	Net Revenue	47.4%
-1,100,239	-690,220	Cost	59.4%
60,177	64,936	Regulatory Current Account	-7.3%
348,346	316,596	Normalized Margin	10.0%
0.40	0.37	R\$/m <sup>3</sup> Normalized	8.4%

1Q19	1Q18	Cogeneration	1Q19 x 1Q18
31	29	Meters	6.9%
85,016	70,991	Volume(mm m <sup>3</sup> )	19.8%
103,523	58,676	Net Revenue	76.4%
-88,725	-47,231	Cost	87.9%
3,268	3,409	Regulatory Current Account	-4.1%
18,066	14,854	Normalized Margin	21.6%
0.21	0.21	R\$/m <sup>3</sup> Normalized	1.6%

1Q19	1Q18	Automotive	1Q19 x 1Q18
240	250	Meters	-4.0%
56,230	47,960	Volume(mm m <sup>3</sup> )	17.2%
79,969	55,195	Net revenue	44.9%
-70,911	-38,628	Cost	83.6%
2,950	-6,955	Regulatory Current Account	n/a
12,008	9,612	Normalized Margin	24.9%
0.21	0.20	R\$/m <sup>3</sup> Normalized	6.6%

## Markets – Distributed Volumes (Self-producers / Self-importers)

1Q19	1Q18	Thermal Generation	1Q19 x 1Q18
2	2	Meters	0.0%
123,954	5,922	Volume(mm m <sup>3</sup> )	>100%
5,696	269	Net Revenue	>100%
0	0	Cost	n/a
0	0	Regulatory Current Account	n/a
5,696	269	Normalized Margin	>100%
0.05	0.05	R\$/m <sup>3</sup> Normalized	1.2%

## Appendix II - Tariffs and Adjustments

As a utility providing a public service, Comgas' activities are regulated by São Paulo State Sanitation and Energy Regulatory Agency (ARSESP), an agency of the São Paulo state government.

The distribution of piped natural gas commercially operated by the Company is regulated by a concession contract that establishes five-year tariff cycles and the conditions for calculating and applying the tariffs during these cycles. The goal is to ensure a fair margin both for the Concessionaire and for Users. The funds to cover the Company's operating costs, investments and shareholder returns come from this margin.

On May 31, 2009, the second tariff revision was carried out, which set the Company's Maximum Margin (P0) at R\$0.3052/m<sup>3</sup>, with an efficiency factor (X Factor) of 0.82%.

The rate paid by consumers is formed by the cost of gas and product transportation plus the Company's margin and taxes.

The tariff resulting from the five-year revision is adjusted annually on the anniversary of the signing of the concession contract (May 31). The adjustment is determined by ARSESP and consists of updating the distribution margins by the IGP-M and the cost of gas and of its transportation, considering the actual cumulative variations in the prices of the natural gas acquired by Comgas. In the case of extreme cost variations, the regulator may determine the need for an extraordinary adjustment.

### Postponement of the 2014-19 Tariff Revision

ARSESP, through Resolution 494, decided to postpone the tariff revision process of Comgas, which initially was scheduled to occur by May 2014, to 01/30/2015. According to the resolution, only in February 2014 was ARSESP able to conclude the process of hiring an expert consultancy to assist it with said tariff revision process, which started in March 2014. Consequently, until the

date scheduled for concluding the tariff revision process, there was insufficient time to conduct the methodological definitions, analyze the Concessionaire's data and propose the maximum distribution margins for the new 2014-19 tariff cycle, including the holding of public consultations and hearings to enable the necessary transparency and publicity of the procedure.

On the same day on which it announced the postponement of the tariff revision, ARSESP published Resolution 496, which provides for the temporary adjustment of the distribution margins of Comgas, which will be in force from May 2014 until the end of the tariff revision process, scheduled for January 2015. This adjustment considered the IGP-M inflation of 5.27% in the period and an X factor of 0.55%, both proportional to 8/12 of the indexes in the last 12 months, given that the tariff revision was postponed for eight months, resulting in a net adjustment of 4.72%

Considering the margins adjusted for inflation less the X factor, the restated gas cost and pass-through of the current account, the adjustments in rates in May 2014 averaged 2.6% in the residential, 1.2% in the commercial, 0.6% in the industrial and 4.3% in the GNV.

Resolution 533, published by ARSESP on 12/10/2014, extended the deadline for the tariff revision to 05/31/2015. Due to the new deadline, the Agency decided to complement the inflation adjustment with the 4/12 that were not considered in the adjustment authorized by Resolution 496, and the Company's margins were increased by an additional 2.33%.

On the same date, ARSESP published Resolution 534, which restated the cost of gas and the current account pass-through. These two factors, combined with the margin adjustment based on inflation described above, resulted in the following adjustments in gas sale rates: average adjustments of 2.2% in the residential and commercial, 2.0% in the industrial and 3.8% in the GNV segment.

On 03/25/2015, the summary of the minutes of 301st Meeting of the Executive Board of ARSESP held on 03/11/2015, was published in the state register DOESP informing that the Executive Board of ARSESP had voted to implement procedures to: (i) invalidate Article 2 of Resolution 494 of 05/27/2014, which described the criteria for monetary restatement applicable to the tariffs of the Company for the period from May to December 2014, to instead apply the contractual criteria, which means an adjustment based on the IGP-M index in the last 12 months, pursuant to the rapporteur's vote; and (ii) invalidate Resolution 517/2014 and Technical Note 02/2014, which discussed the definition of the WACC.

On 05/09/2015, ARSESP published Resolution 575, which restated the cost of gas and the current account pass-through. These two factors, combined with the margin adjustment based on inflation of 4.16%, resulted in the following adjustments in gas sale rates: average increase of 6.25% in the residential, 7.7% in the commercial, 9.6% in the industrial segment and 9.2% for GNV stations.

On 05/23/2016, ARSESP published Resolution 648, which restated the cost of gas and the current account pass-through. These two factors, combined with the margin adjustment based on inflation of 9.81%, resulted in the following adjustments in gas sale rate: average decrease of 3% in the residential, 11% in the commercial, 21% in the industrial segment and an increase of 2% for GNV stations.

On 09/29/2016, ARSESP published Resolution 670 updating the cost of gas and the transfer of the current account, which resulted in the following adjustments to the gas sales tariffs: average decrease of 3.16% in the residential segment, 5.70% in the commercial segment, 9.78% in the industrial sector and 0.07% for GNV stations. This adjustment is valid from 10/03/2016.

ARSESP, through Technical Note No. RTG / 01/2016 and Notice of Public Hearing No. 04/2016 of November 24, 2016, resumed the process of discussion of Comgas' tariff review methodology. On December 15, 2016, the WACC discussion process was also resumed, through Technical Note No. RTG / 02/2016 and Notice of Public Consultation Reopening No. 02/2014.

On December 20, 2016, ARSESP published the Notice of Suspension of Public Consultations and Hearings Regarding the Tariff Review Process of Comgas, suspending the process as per court orders. The facts that generated these decisions are still being discussed in court, without any current impediment to resume the process.

On May 29, 2017, ARSESP published ordinance 727, restating the cost of gas and the current account pass-through. These two factors, combined with the adjustment of our distribution margin by 2.55%, resulted in the following adjustments in gas sale tariffs: increase between 2.6% and 7.8% in the residential segment, 6.1% and 11.8% in the commercial segment, 11.8% and 18.9% in the industrial segment, and 6.3% for NGV stations.

On May 30, 2017, ARSESP published the Notice to Reopen Public Consultation for contributions to define the weighted average cost of capital, with June 23 being the deadline. Other matters were not mentioned in the notice.

On May 30, 2018, ARSESP published the decree 798, restating the cost of gas and the current account pass-through. These two factors, combined with the adjustment of our distribution margin by 1.07%, resulted in the following adjustments in gas sale tariffs: increase between 1.0% and 8.0% in the residential segment, 5.8% and 12.9% in the commercial segment, 12.9% and 21.0% in the industrial segment, and reduction of 1.1% for NGV stations.

On December 05, 2018, ARSESP published the resolution 840/2018, with the public consulting no. 10, 11 and 12, about the WACC, Methodology and Tariff cycle alterations.

On 02/01/2019, ARSESP published Resolution 849, which updated the weighted average cost of gas and transportation contained in tariffs, which varies according to the international oil price and the exchange rate. In addition, it carried out the transfer of the regulatory current account, accumulated in the last 12 months. The publication affected the tariffs of the different segments and consumption volumes, with the average increase for the residential segment being up to 11% and for trade up to 14%. For Industry the impact was 32% and for NGV it was a readjustment of 40%.

On 02/06/2019, ARSESP released the results of Public Consultations 10, 11 and 12 of 2018, through the publication of Technical Note NT.F-0002-2019 that defined the weighted average cost of capital at 8.27% for the next cycle and the Technical Note NT.F-0003-2019 that defines the methodology to be used in the tariff revision process. The final draft of the 6<sup>th</sup> Addendum to the Concession Agreement was also published.

On 26/02/2019, ARSESP published Deliberation n° 852 that reduced the percentage of variation of the tariffs of Comgas, by deferral of time. The reductions were applied to all segments in a distinct way, being: -3% in the residential segment; -4% for the commercial segment; -7% for the industrial segment; and -8% for Natural Gas (NGV), considering the tariff applied to gas stations. The adjustment entered into force on 03/01/2019 and should be maintained until the base date for updating Comgas tariffs on 05/31/2019.

On 02/04/2019, ARSESP announced the opening of Public Consultation No. 03/2019 and Public Hearing No. 01/2019 for the receipt of the contribution to the Proposal for calculation of the Maximum Margin, X Factor and Tariff Structure of the 4<sup>th</sup> Ordinary Tariff Review. The hearing took place on 04/17/2019, and the forecast for the conclusion of the Comgas Ordinary Tariff Review process is May 24 of this year.



## Appendix III – Natural Gas Supply Agreements

The Company maintains natural gas supply agreements with Petrobras under the following conditions:

- Firm Imported agreement with Petrobras, in effect through December 2021, for the daily supply of 8.1 million m<sup>3</sup> of Bolivian gas
- Firm agreement with Petrobras, in effect through December 2021, for the daily supply of 4.22 million m<sup>3</sup> of gas per day
- “Back-to-back” natural gas supply agreements under the Thermal Power Priority Program (PPT) for the daily supply of 0.3 million m<sup>3</sup> per day to supply Corn Products (Ingredion), in effect through March 2023.

The prices under the agreements are composed of two portions: one pegged to a basket of fuel oils in the international market and adjusted on a quarterly basis; and the other adjusted on an annual basis in accordance with domestic inflation. The cost of gas is denominated in R\$/m<sup>3</sup>, and Bolivian gas is calculated in US\$/MMBTU.