

**Gás Natural Açú S.A.**  
(Privately held)

**Financial Statements**

December 31, 2017 and 2016 (Not audited)

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# Independent Auditor's Report on the Individual and Consolidated Financial Statements

*(A free translation of the original report in Portuguese prepared in accordance with the accounting practices adopted in Brazil and the International Financial Reporting Standards - IFRS)*

To the Board of Directors and Management of

Gás Natural Açú S.A.

Rio de Janeiro - RJ

## Opinion

We have audited the individual and consolidated financial statements of Gás Natural Açú S.A. ("the Company"), respectively referred to as Parent and Consolidated, which comprise the balance sheet as at December 31, 2017, the statements of operations and other comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Gás Natural Açú S.A. as at December 31, 2017, and of its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Accounting Practices Adopted in Brazil and with 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 Auditors' Responsibilities for the Audit of the Individual and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical requirements included in the Accountant Professional Code of Ethics ("Código de Ética Profissional do Contador") and in the professional standards issued by the Brazilian Federal Accounting Council ("Conselho Federal de Contabilidade") 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.

### Significant uncertainty related to going concern

We draw attention for Note 1 to the financial statements, which describes that the indirect subsidiary UTE GNA I Geração de Energia SA ("GNA I") is in the pre-operational phase and that the construction in progress to implement the business plan will depend on the financial support of the shareholders and / or third party resources until GNA I generates sufficient cash for the maintenance of its activities. Therefore, the recovery of the amounts recorded in the non-current assets of the Company and GNA I will depend on the success in the implementation of such business plan. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's and GNA I's ability to continue as a going concern. The financial statements do not include any adjustments due to the uncertainties involved. These individual and consolidated financial statements were prepared under the assumption of normal going concern of operations. The Company's management plans with respect to the GNA I operating activities are described in Note 1. Our opinion is not modified in respect of this matter.

### Other matters - Audit of amounts corresponding to the previous year

The amounts corresponding to the year ended December 31, 2016, presented for comparison purposes, were not audited by us or by other independent auditors and, consequently, we are not expressing an opinion on the amounts corresponding to the previous year.

### Responsibilities of Management for the Individual and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with Accounting Practices Adopted in Brazil and with 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 from material misstatement, whether due to fraud or error.

In preparing the individual and consolidated 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 and subsidiaries or to cease operations, or has no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain 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 subsidiaries internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 subsidiaries ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the individual and consolidated 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 auditors' report. However, future events or conditions may cause the Company and subsidiaries to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with management among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Rio de Janeiro, September 19, 2018

KPMG Auditores Independentes  
CRC SP-014428/O-6 F-RJ  
(Original report in Portuguese signed by)  
Luis Claudio França de Araújo  
Accountant CRC RJ - 091559/O-4

**Gás Natural Açu S.A.**

Statements of financial position as of December 31, 2017 and 2016 (Not audited)  
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2017	2016 (Not audited)	2017	2016 (Not audited)
<b>Assets</b>					
<b>Current</b>					
Cash and cash equivalents	6	22	136	1,435	139
Other advances		21	-	21	-
Prepared expenses		-	-	2,084	-
Recoverable taxes		4	-	4	-
		<u>47</u>	<u>136</u>	<u>3,544</u>	<u>139</u>
<b>Non-current</b>					
Investments	7	13,472	3	-	-
Property, plant and equipment	8	-	-	12,060	-
Intangible assets	9	-	-	30,000	-
		<u>13,472</u>	<u>3</u>	<u>42,060</u>	<u>-</u>
<b>Total assets</b>		<u><u>13,519</u></u>	<u><u>139</u></u>	<u><u>45,604</u></u>	<u><u>139</u></u>

See the accompanying notes to the financial statements.

## Gás Natural Açu S.A.

Balance Sheet as of December 31, 2017 and 2016 (Not audited)  
(In thousands of reais)

	Note	Parent Company		Consolidated	
		2017	2016 (Not audited)	2017	2016 (Not audited)
<b>Liabilities</b>					
<b>Current</b>					
Trade accounts payable	12	4,622	3,768	16,083	3,768
Salaries and charges payable		2,292	14	2,292	14
Accounts payable to related parties	10	1,875	726	2,498	726
Taxes and contributions payable	11	190	147	190	147
		<b>8,979</b>	<b>4,655</b>	<b>21,063</b>	<b>4,655</b>
<b>Non-current</b>					
Trade accounts payable		-	-	20,000	-
		<b>-</b>	<b>-</b>	<b>20,000</b>	<b>-</b>
<b>Shareholders' equity</b>	13				
Share capital		16,021	624	16,021	624
Capital reserve		28,856	9,105	28,856	9,105
Accumulated losses		(40,337)	(14,245)	(40,337)	(14,245)
<b>Total shareholders' equity attributed to controlling shareholders</b>		<b>4,540</b>	<b>(4,516)</b>	<b>4,540</b>	<b>(4,516)</b>
Minority interest		-	-	1	-
<b>Total shareholders' equity</b>		<b>4,540</b>	<b>(4,516)</b>	<b>4,541</b>	<b>(4,516)</b>
<b>Total liabilities and shareholders' equity</b>		<b>13,519</b>	<b>139</b>	<b>45,604</b>	<b>139</b>

See the accompanying notes to the financial statements.

**Gás Natural Açú S.A.**

Statements of operations  
Financial years ended December 31, 2017 and 2016 (Not audited)  
(In thousands of reais)

	Notes	Parent Company		Consolidated	
		2017	2016 (Not audited)	2017	2016 (Not audited)
<b>Operating expenses</b>					
Administrative expenses	14	(26,026)	(14,085)	(26,026)	(14,085)
<b>Net income before financial revenue (expenses) and tax</b>		<b>(26,026)</b>	<b>(14,085)</b>	<b>(26,026)</b>	<b>(14,085)</b>
<b>Financial Income/(Loss)</b>	15				
Finance expenses		(17)	(21)	(68)	(21)
Finance income		2	1	2	1
		<b>(15)</b>	<b>(20)</b>	<b>(66)</b>	<b>(20)</b>
<b>Share of loss of equity-accounted investees</b>		(51)	-	-	-
<b>Loss before taxes</b>		<b>(26,092)</b>	<b>(14,105)</b>	<b>(26,092)</b>	<b>(14,105)</b>
<b>Loss for the year</b>		<b>(26,092)</b>	<b>(14,105)</b>	<b>(26,092)</b>	<b>(14,105)</b>

See the accompanying notes to the financial statements.



**Gás Natural Açú S.A.**

Statements of comprehensive loss  
Financial years ended December 31, 2017 and 2016 (Not audited)  
(In thousands of reais)

	<b>Parent company/Consolidated</b>	
	<b>2017</b>	<b>2016</b> (Not audited)
Loss for the year	(26,092)	(14,105)
<b>Total comprehensive loss for the year</b>	<b>(26,092)</b>	<b>(14,105)</b>

See the accompanying notes to the financial statements.

## Gás Natural Açu S.A.

Statements of changes in shareholder's equity  
Financial years ended December 31, 2017 and 2016 (Not audited)  
(In thousands of reais)

		Capital reserve					
	Share capital	Advance for future capital increase	Subscription Bonus - reflex	Accumulated loss	Shareholders' Equity - parent company	Noncontrolling shareholder's interest	Total shareholders' equity
<b>Balance at January 01, 2016 (Not audited)</b>	<b>624</b>	-	-	<b>(140)</b>	<b>484</b>	-	<b>484</b>
Loss for the year	-	-	-	(14,105)	(14,105)	-	(14,105)
Advance for future capital increase	-	9,105	-	-	9,105	-	9,105
<b>Balance at December 31, 2016 (Not audited)</b>	<b>624</b>	<b>9,105</b>	-	<b>(14,245)</b>	<b>(4,516)</b>	-	<b>(4,516)</b>
Loss for the year	-	-	-	(26,092)	(26,092)	-	(26,092)
Capital increase	15,397	(9,105)	-	-	6,292	-	6,292
Advance for future capital increase	-	15,656	-	-	15,656	-	15,656
Subscription bonus - Siemens	-	-	13,200	-	13,200	-	13,200
Minority interest	-	-	-	-	-	1	1
<b>Balance as of December 31, 2017</b>	<b>16,021</b>	<b>15,656</b>	<b>13,200</b>	<b>(40,337)</b>	<b>4,540</b>	<b>1</b>	<b>4,541</b>

See the accompanying notes to the financial statements.

## Gás Natural Açú S.A.

### Statements of cash flows

Financial years ended December 31, 2017 and 2016 (Not audited)

(In thousands of reais)

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>2017</b>	<b>2016</b> (Not audited)	<b>2017</b>	<b>2016</b> (Not audited)
<b>Cash flows from operating activities</b>				
Loss before tax	(26,092)	(14,105)	(26,092)	(14,105)
Adjustments for:				
Share of profit (loss) of equity-accounted investees	51	-	-	-
Others	-	-	1	3
<b>Adjusted net loss</b>	<b>(26,041)</b>	<b>(14,105)</b>	<b>(26,091)</b>	<b>(14,105)</b>
<b>(Increase) decrease in assets and increase (decrease) in liabilities:</b>				
Recoverable taxes	(4)	-	(4)	-
Other advances	(21)	-	(21)	-
Trade payables	854	3,766	854	3,766
Taxes and contributions payable	43	147	43	147
Accounts payable to related parties	1,149	-	1,149	-
Payroll payable	2,278	14	2,278	14
<b>Net cash used in operating activities</b>	<b>(21,742)</b>	<b>(10,178)</b>	<b>(21,792)</b>	<b>(10,178)</b>
<b>Cash flows from investing activities</b>				
Acquisition of PPE	-	-	(12,060)	-
Transfer of interest	(320)	-	-	-
<b>Net cash used in investment activities</b>	<b>(320)</b>	<b>-</b>	<b>(12,060)</b>	<b>-</b>
<b>Cash flows from financing activities</b>				
Capital increase	6,292	-	6,292	-
Advance for future capital increase	15,656	9,105	15,656	9,105
Siemens subscription bonus	-	-	13,200	-
<b>Net cash provided by financing activities</b>	<b>21,948</b>	<b>9,105</b>	<b>35,148</b>	<b>9,105</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(114)</b>	<b>135</b>	<b>1,296</b>	<b>138</b>
At the beginning of the year	136	1	139	1
At end of year	22	136	1,435	139

See the accompanying notes to the financial statements.

## **Gás Natural Açu S.A.**

Notes to the financial statements

December 31, 2017 and 2016 (Not audited)

*(In thousands of reais, unless stated otherwise)*

### **1. Operations**

Gás Natural Açu S.A. ("Gás Natural" or "Company"), formerly known as SDX Investimentos Ltda, was incorporated on October 15, 2014. On October 19, 2017 the Company was transformed from a limited company to a privately held corporation. It is controlled by Prumo Logística S.A. ("Prumo") which holds its entire share capital as of December 31, 2017.

The Company and its subsidiaries' ("GNA Group") core activity is the purchase and sale of liquefied natural gas ("LNG"), processing, beneficiation and treatment of natural gas resulting from offshore production and the regasification of LNG, the generation, transmission and sale of energy and electricity capacity and intermediation in the purchase and sale of energy and electric capacity.

On December 19, 2017 ANEEL authorizing resolution 6,769 transferred the exploration rights of Usina Termelétrica (UTE) Novo Tempo to GNA I. The concession term was then 23 years, with operations commencing in 2021.

On June 16, 2017, Gás Natural signed an agreement with Termelétrica Novo Tempo S.A. ("UTE Novo Tempo"), the company prevailing at New Energy Auction A-5 in 2014 (Auction 06/2014 - ANEEL), for the transfer of the authorization issued by the Ordinance of the Ministry of Mines and Energy 210 on May 14, 2015, for the construction and operation of a 1,238 MW thermal power plant ("Authorization") to UTE GNA I Geração de Energia S.A. ("GNA I"). The agreement also entails the transfer of the 37 energy trading agreements in the regulated environment (CCEARs) entered into with energy distribution companies.

The GNA I project entails the construction of a combined-cycle gas-fired thermoelectric power station with an output of approximately 1,300 MW which will handle the contractual obligations of UTE Novo Tempo under its energy trading contracts, an LNG regasification terminal ("Regasification Terminal"), with the capacity to import natural gas for the UTE GNA I project and future power plants and other potential projects in the industrial complex of Porto do Açu, in addition to comprising the development of the "Açu Gas Hub", strategically located in the north-east of Rio de Janeiro state, which offers efficient logistical solutions for the sale and consumption of natural gas and related products.

## **Gás Natural Açú S.A.**

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

### **1. Operations--Continued**

On August 13, 2017 Gás Natural signed an investment agreement with Siemens, with Prumo as guarantor and Gás Natural Açú Infraestrutura S.A. ("GNA Infra") as the intervening party, to make this project feasible.

Subject to the performance of certain precedent conditions, the investment agreement states that Siemens shall subscribe new shares issued by GNA Infra in the amount of USD 21,000 thousand, accounting for 33% of its share capital ("Initial Contribution"). After the Initial Contribution, the share capital of GNA Infra will consist of 67% of the shares held by Gás Natural and 33% of the shares held by Siemens. Siemens will have certain governance rights, such as the right to appoint a member to the Board of Directors of GNA Infra.

The agreement establishes other precedent conditions, such as relevant regulatory approvals, the performance of a shareholders' agreement between Gás Natural and Siemens, the approval of the Business Plans for developing GNA I and the Regasification Terminal, the implementation of an EPC agreement (Engineering, Procurement and Construction), the performance of the LTSA (long-term services agreement) consisting of maintenance services and supplying spare parts to ensure the performance and availability of thermal power plant, the performance of an O&M contract (operation and maintenance).

A corporate reorganization took place on December 15, 2017, by which 320,990 registered shares in GNA I held by the shareholder Gás Natural and 10 shares held by the shareholder Prumo were transferred to GNA Infra, resulting in the latter becoming the parent company of GNA I.

On December 22, 2017 Gás Natural and BP Global Investments Limited ("BP") entered into an investment agreement establishing:

- (i) The terms and conditions for BP to acquire 30% of Gás Natural's capital via the subscription of new shares in the amount of USD 7,500 thousand, which will occur in the course of FY 2018.
- (ii) The rules governing the investment by Prumo and BP, in GNA I, a subsidiary of GNA Infra, and the capital commitment necessary for this investment, proportional to its equity interests in Gás Natural, subject to the USD 79,200 thousand limit on BP's capital investment in the project's construction capex;

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(In thousands of reais, unless stated otherwise)

**1. Operations--Continued**

- (iii) The rules of the company and potential investment by BP in future projects to be created by Gás Natural or its subsidiaries; and
- (iv) The terms and conditions for the acquisition by BP of 50% of the capital of Gás Natural Açú Comercializadora de Energia Ltda. ("GNA III"), a Prumo subsidiary, founded to develop opportunities related to the purchase and sale of energy, natural gas and liquids derived from natural gas at Porto do Açú.

In December 2017 the subsidiary UTE GNA II Geração de Energia Ltda. ("GNA II") prevailed at auction A-6, successfully bidding for a 1,672.6 MW thermal electricity project which will require investment of R\$ 3.4 billion, which is forecast to come into operation on January 01, 2023.

**2. Licenses and permits**

Gás Natural Group has preliminary environmental licenses for up to 6.4 GW in thermal power plants on a combined cycle. The processes for signing the energy sale agreements of two UTEs are at an advanced stage, for a total installed capacity of 2.9 GW.

## Gás Natural Açú S.A.

Notes to the financial statements  
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(In thousands of reais, unless stated otherwise)

### 2. Licenses and permits--Continued

The licenses or permits in force at December 31, 2017 are:

Companies	Description	Document	Date of issuance	Term
GNA I	The National Electricity Regulatory Agency - ANEEL transfers the energy exploration authorization from Termelétrica Novo Tempo to UTE GNA I.	Authorizing resolution 6769	12/19/2017	12/19/2040
Natural Gas	Preliminary Construction approving the design and location of the project implementing a port terminal for the import and regasification of LNG, LPG and related products, with a gas processing capacity of 42 million m3/day, to be built at the South Terminal of Porto do Açú.	LP IN042348	11/27/2017	11/26/2022
Natural Gas	Approving the design and location of the liquefied gas thermoelectric power station, consisting of 5 (five) generating blocks with a maximum capacity of 660 MW each, split into 3 (three) blocks for UTE GNA Porto do Açú III and 2 (two) blocks for UTE GNA Porto do Açú IV, to be implemented by UTE GNA II Geração de Energia Ltda, a subsidiary of Gás Natural. (*)	LP IN025871 AVB003519	12/30/2013	12/30/2015
Natural Gas	Preliminary license approving the design and location for the implementation of thermoelectric power stations on a combined cycle consisting of 2 (two) generating blocks (UTE-1 and UTE-2), with a maximum installed capacity of approximately 3,100 MW and their external structures (gas pipeline, underwater effluent outlets, transmission line and water pipeline.	LP IN032607 AVB002932 AVB003518	12/2/2015	11/30/2020

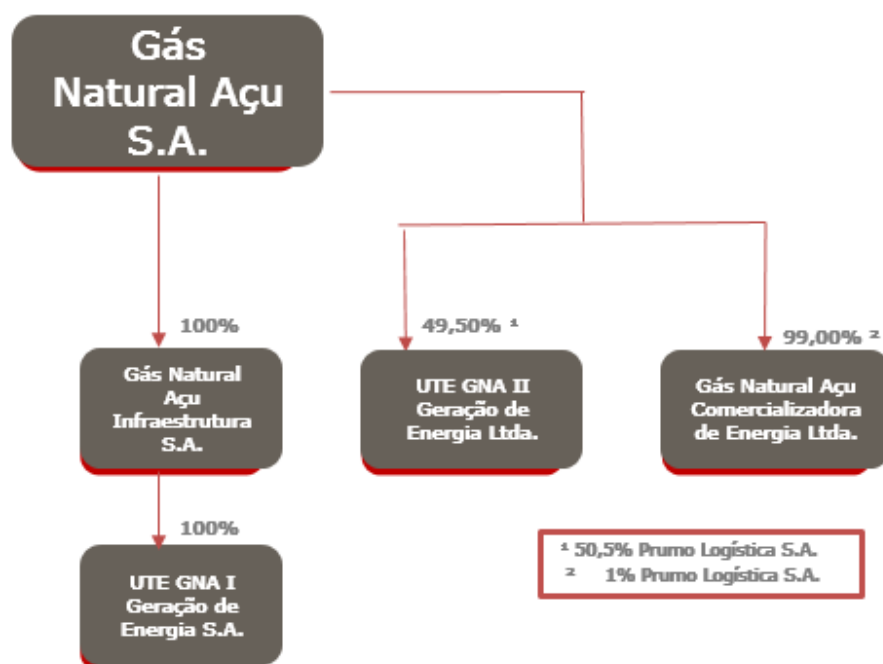
(\*) In the process of being renewed

## Gás Natural Açu S.A.

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

### 3. Group companies

	Country	Ownership interest	
		2017	2016 (Not audited)
<b>Direct subsidiaries</b>			
GNA Infra	Brazil	100.00%	-
GNA II	Brazil	49.50%	99.99%
GNA III	Brazil	99.00%	99.99%
GNA I	Brazil	-	99.99%
<b>Indirect subsidiaries</b>			
GNA I	Brazil	100.00%	-





## **Gás Natural Açu S.A.**

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

### **4. Basis of preparation and presentation of the financial statements**

#### **a) Statement of compliance**

The individual and consolidated financial statements have been prepared in accordance with accounting practices adopted in Brazil (BR GAAP) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Company Management affirms that all material information related to the financial statements and that alone is being disclosed, which corresponds to that used by it in its management.

Authorization for the conclusion of the preparation of these individual and consolidated financial statements was given by the Board of Directors on September 14, 2018. These financial statements consider subsequent events to be events that could have an impact up to the reporting date.

The accounting policies described in detail below have been applied consistently to the financial statements of the Company's subsidiaries.

#### **b) Basis of preparation**

The individual and consolidated financial statements have been prepared based on the historic cost basis.

#### **c) Functional and presentation currency**

The individual and consolidated financial statements are being presented in thousands of Brazilian reais, which is the Company's functional currency.

**Gás Natural Açu S.A.**

Notes to the financial statements  
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(In thousands of reais, unless stated otherwise)

**4. Presentation and preparation of the financial statements--Continued**

d) Use of judgment and estimates

Judgments, estimates and assumptions are used to measure and recognize certain assets and liabilities in the Company's financial statements. These estimates took into account experience from past and current events, assumptions about future events and other objective and subjective factors.

**5. Significant accounting policies**

The accounting policies set out below have been applied consistently to all the periods reported in these financial statements.

a) Consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences.

The equity income method is used to recognize the financial information of subsidiaries in the parent company's individual financial statements.

The consolidated financial statements include the subsidiaries described in Note 3 - Group Companies.

***Description of main consolidation procedures of subsidiaries***

- Elimination of inter-company asset and liability account balances
- Elimination of investment account balances and corresponding capital interest, reserves and retained earnings/accumulated deficit of the subsidiary companies;
- Minority interests, which represent the earnings for the year and equity not held by Gás Natural, are presented separately from the consolidated income statement in the equity in the consolidated balance sheet, separately from the equity attributable to the controlling shareholders.

**Gás Natural Açu S.A.**

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

**5. Significant accounting practices --Continued**

b) Foreign-currency transactions

Transactions in foreign currency are translated to the Real, the functional currency of the entity and its subsidiaries, at the exchange rates on the dates of each transaction.

Monetary assets and liabilities denominated and recorded in foreign currency are translated to local currency (Real) at the exchange rate in force at the reporting dates. Exchange gains and losses resulting from the settlement of these transactions and the translation at the exchange rates at the end of the year are recognized in profit or loss.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on re-translation are generally recognized in profit or loss.

c) Cash and cash equivalents and securities

Cash and cash equivalents are held by the Company to meet short-term cash obligations and not for investment or other purposes. The Company considers cash equivalents to be a short-term investment readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

## **Gás Natural Açú S.A.**

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

### **5. Significant accounting practices --Continued**

#### **d) Adjustment of assets and liabilities to present value**

Long-term monetary assets and liabilities are monetarily restated and therefore adjusted to their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated and only recorded if considered to have a material effect on the financial statements as a whole. For the purpose of determining materiality, the adjustment to present value is calculated based on the contractual cash flows and explicit interest rates, or the respective assets and liabilities in implicit cases.

Based on analyses conducted and Management's best estimates, Gás Natural and its subsidiaries concluded that the adjustment to present value of current monetary assets and liabilities is immaterial in relation to the financial statements taken as a whole, meaning no adjustments were made.

#### **e) Capital expenditure**

Investments in subsidiaries are accounted for under the equity method in the investment financial statements.

#### **f) Property, plant and equipment**

Items of property, plant and equipment are measured at historic cost of acquisition or construction less accumulated depreciation after operations started. Impairment losses are also deducted.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor; any other costs to bring the asset to its location and condition necessary so it can be operated as intended by Management.

**Gás Natural Açu S.A.**

Notes to the financial statements  
December 31, 2017 and 2016 (Not audited)  
(In thousands of reais, unless stated otherwise)

**5. Significant accounting practices --Continued**

**f) Property, plant and equipment--Continued**

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Company classifies as works in progress all the civil works taking place during construction and installation through operational start-up, whereupon they are reclassified to the corresponding accounts in operating assets.

**g) Intangible assets**

Intangible assets consist of software acquired by the Company, with definite useful lives and measured at cost, minus accumulated amortization and accumulated impairment.

**h) Employee benefits**

*Short-term employee benefits*

Short-term employee benefits are measured at a non-discounted basis and are incurred as the cost of works in property, plant and equipment or expensed as the related service is provided.

**i) Income and social contribution taxes**

Current income and social contribution taxes are calculated based on net income, adjusted to taxable income by the additions and exclusions stipulated in the existing tax legislation.

The deferred income and social contribution taxes are recognized to reflect future tax effects attributable to temporary differences between the tax bases of assets and liabilities and their book values and to tax losses carryforward and negative basis of social contribution. The Company did not have deferred taxes as of December 31, 2017 and 2016.

## **Gás Natural Açú S.A.**

Notes to the financial statements  
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### **5. Significant accounting practices --Continued**

#### **j) Other current and noncurrent assets and liabilities**

An asset is recognized in the statement of financial position when it is probable that its future economic benefits will flow to the Company and its cost or value can be measured reliably.

A liability is recognized in the statement of financial position when the Company has a present or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required in settlement. Provisions are recorded using best possible estimates of the risk involved.

Long-term and short-term monetary assets and liabilities are adjusted to their present value when their effect on the financial statements is deemed material. The adjustment to present value is calculated based on the contractual cash flows and the explicit or, in certain cases, implicit interest rate on the relevant assets and liabilities.

#### **k) General and administrative expenses**

General and administrative expenses consist of initial and preoperational expenses, paid or not, incurred during the implementation of the Company and its subsidiaries, and studies and research and making GNA Group's project feasible which cannot be capitalized as property, plant and equipment or intangible assets. This category includes items like office materials, management fees, salaries and charges of administrative staff, legal and judicial expenses, research, opening and registering companies and other items.

#### **l) Finance income and finance expenses**

Financial revenue consists of interest revenue on invested funds. Interest earned is recorded in the income statement by using the effective interest rate method.

Finance expenses comprise bank expenses and the IOF tax on financial transactions.

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### **5. Significant accounting practices --Continued**

#### m) New accounting pronouncements

##### IFRS 9 Financial Instruments (CPC 48 Financial Instruments):

CPC 48 was issued in December 2016, the equivalent of the standard IFRS 9. This is replacing CPC 38- Financial Instruments: Recognition and Measurement (IAS 39) and the main modifications are: (i) impairment requirements for financial assets introducing the hybrid expected and incurred loss model instead of the current incurred loss model; (ii) new requirements for classifying and measuring financial assets; and (iii) an easing of hedge accounting requirements. CPC 48 is generally retrospectively applicable from January 01, 2018.

The Management of the Company and its subsidiaries have conducted a preliminary analysis of their financial assets and liabilities and did not identify any significant impacts from adopting the new standard as from January 01, 2018.

##### IFRS 15 Revenue from Contracts with Customers (CPC 49 Revenue from Contracts with Customers)

The IASB issued pronouncement IFRS 15 in May 2014, which replaced IAS 18 - Revenue and related interpretations. This pronouncement establishes a five-step model in which revenue is recognized as the contractual performance obligations are satisfied. The core principle of this new pronouncement is that an entity will recognize revenue upon transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This pronouncement is effective from January 1, 2018.

Company and its subsidiaries' Management concluded that this pronouncement will not yet impact the financial statements.

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### 5. Significant accounting practices—Continued

#### m) New accounting pronouncements ---Continued

##### IFRS 16 - Leases (no equivalent CPC has been issued yet):

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including CPC 06 (IAS 17) Leases and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) additional matters regarding commercial leases. The standard is applicable from January 01, 2019.

The Company and its subsidiaries' Management concluded that this pronouncement will not yet impact the financial statements.

### 6. Cash and cash equivalents

	Parent Company		Consolidated	
	2017	2016 (Not audited)	2017	2016 (Not audited)
Cash and bank deposits	22	136	286	139
<b>Short-term investments</b>				
Securities held under repurchase agreements	-	-	1,149	-
	-	-	<b>1,149</b>	-
	<b>22</b>	<b>136</b>	<b>1,435</b>	<b>139</b>

The short-term investments aim to preserve immediate and short-term cash, with immediate liquidity and low market risk. These are maintained and managed by the banks Itaú Unibanco S/A and Santander do Brasil S/A, and comprise part of the private securities subject to repurchase agreements issued by companies (Debentures or Bank Deposit Certificates - "CDBs") and CDB - DI, at market rates yielding DI CETIP ("CDI").



## Gás Natural Açu S.A.

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### 7. Investment

#### a) Equity interests

2017								
Direct investee	% interest	Number of shares/ (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Accumulated loss
GNA Infra	100.00%	322	13,471	-	13,471	322	13,200	(51)
GNA II	49.50%	2	2	-	2	2	-	-
GNA III	99.00%	1	1	-	1	1	-	-

2016 (Not audited)								
Direct investee	% interest	Number of shares/ (thousand)	Assets	Liabilities	Equity	Capital	Capital reserve	Accumulated loss
GNA I	99.00%	1	1	-	1	1	-	-
GNA II	99.00%	1	1	-	1	1	-	-
GNA III	99.00%	1	1	-	1	1	-	-

## Gás Natural Açu S.A.

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### 7. Investment--Continued

#### b) Changes (in reais)

Direct investee	2016 (Not audited)	Capital	Capital Reserve	Net income in the period	Transfer of interest	2017
Gás Infra (*)	-	1	13,200	(51)	321	13,471
GNA I (*)	1	320	-	-	(321)	-
GNA II	1	-	-	-	-	1
GNA III	1	-	-	-	-	1
	<b>3</b>	<b>321</b>	<b>13,200</b>	<b>(51)</b>	<b>-</b>	<b>13,473</b>

(\*) Corporate reorganization as mentioned in note 1 - Reporting entity

Direct investee	2015	Capital	Net income in the period	2016 (Not audited)
GNA I	1	-	-	1
GNA II	1	-	-	1
GNA III	1	-	-	1
	<b>3</b>	<b>-</b>	<b>-</b>	<b>3</b>

## Gás Natural Açu S.A.

Notes to the financial statements  
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### 8. Property, plant and equipment

The property, plant and equipment by company as of December 31, 2017 breaks down as follows:

	Parent Company		Consolidated	
	2017	2016 (Not audited)	2017	2016 (Not Audited)
GNA I	-	-	12,060	-
	-	-	<b>12,060</b>	-

#### a) Breakdown of balances

	Consolidated			Net 2016 (Not audited)
	Cost	Accumulated depreciation	Net 2017	
Advances for property, plant and equipment formation	8,138	-	8,138	-
Works in progress and equipment under construction	3,922	-	3,922	-
	<b>12,060</b>	-	<b>12,060</b>	-

#### b) Change in the cost

	2016 (Not audited)	2017	
	Cost	Addition	Cost
Advances for property, plant and equipment formation	-	8,138	8,138
Works in progress and equipment under construction	-	3,922	3,932
	-	<b>12,060</b>	<b>12,060</b>

• **Advance for property, plant and equipment formation:** The balance of advances as of December 31, 2017 consists of advances for equipment deliveries.

• **Works in progress and equipment under construction:** The balance of works in progress as of December 31, 2017 consists of initial costs for works on the thermal power plant.

## Gás Natural Açú S.A.

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### 9. Intangible assets

	Useful life	2017	2016 (Not audited)
Energy sale receivable (*)	23 years	30,000	-
		<b>30,000</b>	<b>-</b>

(\*) By way of authorizing resolution 6769, on December 19, 2017 ANEEL transferred the energy trading right, as mentioned in note 01 - Operations.

### 10. Related Parties

	Trade and other payables			
	Parent company		Consolidated	
	2017	2016 (Not audited)	2017	2016 (Not audited)
Porto do Açú (a)	345	725	345	725
Prumo (a)	1,523	-	1,523	-
NFX (b)	7	1	7	1
Lakeshore (c)	-	-	623	-
	<b>1.875</b>	<b>726</b>	<b>2.498</b>	<b>726</b>

(a) In 2017 the amount of R\$ 1,868 denotes the reimbursement of shared-cost collection expenses as per the contract between the parties. In 2016, the amount of R\$ 725 denotes the service provided by Chemtech Serviços de Engenharia e Software and paid by Porto do Açú.

(b) Denotes the thirteenth month salary of a transferred employee.

	Expenses - Effect on net income	
	Parent company / Consolidated	
	2017	2016 (Not audited)
<b>Others</b>		
Shared service	(908)	(726)
	<b>(908)</b>	<b>(726)</b>

## Gás Natural Açú S.A.

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### 10. Related Parties---Continued

The compensation of key management staff has been presented below:

	<b>2017</b>	<b>2016</b> (Not audited)
<b>Executive Officers</b>		
Management fees	1,334	69
Bonuses	158	-
Benefits and Charges	451	19
	<b>1,943</b>	<b>88</b>

### 11. Taxes payable

	<b>2017</b>	<b>2016</b> (Not audited)
Income tax withheld at source ("IRRF")	159	34
PIS/COFINS/CSLL	25	107
Services tax ("ISS")	6	6
	<b>190</b>	<b>147</b>

The reconciliation between the tax expense as calculated by the combined statutory rates and the income and social contribution tax expense charged to net income is presented below:

	<b>Parent Company Consolidated</b>			
	<b>2017</b>	<b>2016</b> (Not audited)	<b>2017</b>	<b>2016</b> (Not audited)
Loss before income and social contribution taxes	(3,824)	(211)	(3,824)	(211)
Profit (Loss) of companies whose tax credits are not recognized	-	-	-	-
<b>Adjusted loss</b>	<b>(3,824)</b>	<b>(211)</b>	<b>(3,824)</b>	<b>(211)</b>
Income and social contribution taxes at the nominal rate (34%)	1,300	72	1,300	72
<b>Adjustments to determine the effective rate</b>				
Amortizations of deferred expenses	5	5	5	5
Equity in net income of subsidiaries	(18)	-	(18)	-
Other permanent additions	(384)	(6)	(384)	(6)
Tax credits are not recognized	(903)	(71)	(903)	(71)
Effective rate	(0%)	(0%)	(0%)	(0%)

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### 12. Trade accounts payable

	Parent Company		Consolidated	
	2017	2016 (Not audited)	2017	2016 (Not audited)
Bolognesi Energia (*)	-	-	30,000	-
Seguro Tokio Marine	-	-	1,461	-
Granherne, INC	1,118	-	1,118	-
Promon Engenharia Ltda	550	-	550	-
IFC	525	-	525	-
BMA Ambiental Ltda	486	-	486	-
Tetra Tech Consultoria Ltda	334	-	334	-
KFW Inpex - Bank	273	-	273	-
Tech Mahindra Serviços de Informática	160	-	160	-
INSS sobre folha	144	-	144	-
Bradesco Cartões S.A,	140	-	140	-
S3B Ingenieria SPA	138	-	138	-
ABDO	90	-	90	-
Consultoria Planejamento e Estudos Ltda,	67	875	67	875
Baggio	63	-	63	-
PSR Soluções	62	-	62	-
Wood Group kanny do Brasil Serviços	58	220	58	220
Allatur	53	-	53	-
Mattos Filho Adv,	37	-	37	-
Habtec Engenharia Sanitária	39	150	39	150
Control Ambiental Sustentabilidade	22	254	22	254
CFPS Engenharia	13	1,599	13	1,599
IHS Informações e Insight	-	293	-	293
Outros	250	375	250	375
	<b>4,622</b>	<b>3,766</b>	<b>36,083</b>	<b>3,766</b>
<b>Current</b>	4,622	3,766	16,083	3,766
<b>Noncurrent</b>	-	-	20,000	-

(\*) In the Bolognesi contract the payable amounts are divided into fixed installments, which will be restated annually by the IPCA price index until the effective payment. The variable installments will be recognized at the start of the operation and will be paid annually, on the first business day of the month of April, based on the audited financial statements for the previous year with installments equal to 3% calculated on the free cash flow from the shareholder, defined as:

- o = EBITDA
- o (+/-) working capital variation;
- o (-) IR/CSSL paid;
- o (-) finance expenses
- o (+) financial revenue from reserve accounts \*;
- o (-) investment in maintenance;
- o (-) amortization of financing;
- o (+) disbursement of financing
- o (+/-) change in reserve accounts \*

If the reserve accounts are funded with operating cash generation, the formula above will not include the variation in the reserve account and corresponding finance income.

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### **12. Trade payables -- Continued**

The nonpayment of any of the amounts established in this contract shall trigger monetary restatement according to the variance of the CDI rate until the effective payment date, in addition to arrears interest at 1% (one percent) a month, in addition to an arrears fine of 2% (two percent) of the debit balance.

### **13. Shareholders' Equity**

#### **a) Capital**

As of December 31, 2017 the Company's capital was R\$ 16,021 (R\$ 624 as of December 31, 2016), comprised of 16,021 common shares (624 in 2016).

On March 29, 2017 the Company approved the capital increase of R\$ 15,397 by converting the advance for future capital increase, consisting of 15,397 common shares.

#### **b) Capital reserve**

- Advance for future capital increase

The parent company Prumo made contributions amounting to R\$ 15,656 in 2017 in the form of an advance for future capital increase. These contributions are irrevocable and irreversible, and convertible into the corresponding number of shares, subject to the par value.

- Subscription bonus

On August 13, 2017 the investment agreement was signed by GNA Infra and Siemens as mentioned in Note 1, and GNA accordingly recognized the bonus via reflection of R\$ 13,200.

#### **c) Dividends**

The Company's shares have an equal participation in dividend payments, interest on shareholders' equity and other shareholder benefits. The corporate by-laws determine the distribution of a minimum compulsory dividend of 25% of the net income for the year, adjusted in accordance with article 202 of Law 6404/76. The Company reported a loss in FYs 2017 and 2016, and did not pay out dividends.

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### 14. Administrative expense

The Company presents its administrative expenses by nature below:

	<b>Parent company / consolidated</b>	
	<b>2017</b>	<b>2016 (Not audited)</b>
Salaries and charges	(8,298)	(84)
Outsourced services	(15,146)	(13,512)
Other insurance	(525)	-
Travel and accommodation	(813)	(27)
Taxes and fees	(661)	(323)
Representations and events	(205)	(7)
Trade association contributions	(63)	(59)
Other expenses	(315)	(73)
	<b>(26,026)</b>	<b>(14,085)</b>

### 15. Finance income

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>2017</b>	<b>2016 (Not audited)</b>	<b>2017</b>	<b>2016 (Not audited)</b>
<b>Finance income</b>				
Interest on investments	2	-	2	-
Other	-	1	-	-
	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>Finance expenses</b>				
Bank expenses	(4)	(2)	(5)	(2)
Exchange variance	(6)	(19)	(6)	(19)
IOF	-	-	(50)	-
Other	(7)	-	(7)	-
	<b>(17)</b>	<b>(21)</b>	<b>(68)</b>	<b>(21)</b>
	<b>(15)</b>	<b>(20)</b>	<b>(66)</b>	<b>(20)</b>



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### 16. Commitments

On December 31, 2017 the Company and its subsidiaries had commitments for future purchases in the amount of R\$ 2,430,295 (R\$ 11,476 as of December 31, 2016), which should be fulfilled in the course of the works.

	Consolidated	
	2017	2016 (Not audited)
GNA I	2,330,111	-
Natural Gas	98,468	11,476
Gás Infra	1,216	-
GNA II	500	-
	<b>2,430,295</b>	<b>11,476</b>

### 17. Subsequent events

#### - Transfer of the UTE Novo Tempo contract

By way of the 1<sup>st</sup> assignment of CCEAR Contract 25259, between UTE Novo Tempo, GNA I and RGE Sul, on June 18, 2018 UTE Novo Tempo transferred to GNA I the concession, permission or authorization to trade electricity via an intermediary in ordinance 210, issued May 14, 2015.

#### - Capital contributions

##### - GNA

At its EGM held January 5, 2018, BP subscribed 6,866 shares for R\$ 24,240.

At its EGM held June 29, 2018, BP subscribed 15,213 shares for R\$ 53,708, and Prumo subscribed 17,678 shares for R\$ 62,407.

##### - GNA Infra

At its EGM held February 7, 2018, Siemens subscribed 493 shares for R\$ 68,313.

At its EGM held May 4, 2018, Gás Natural subscribed 1,224 shares for R\$ 169,605.

**Gás Natural Açú S.A.**

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**17. Subsequent events--Continued**

- GNA I

At its EGM held March 16, 2018, GNA Infra subscribed 82,920 new shares for R\$ 82,920.

At its EGM held May 4, 2018, GNA Infra subscribed 169,050 new shares for R\$ 169,050, and Siemens subscribed 124,105 new shares for R\$ 124,105.

- BP Agreement

On May 4, 2018 Prumo and BP signed a Shareholders' Agreement by which BP ratified the commitment to invest up to USD 79,200 thousand for GNA I, a subsidiary of Gás Natural, to build a 1,238 MW thermal power plant. Under the Shareholders' Agreement, BP is entitled to appoint up to two members to the Gás Natural Board of Directors and one member to GNA I's Board of Directors, indirectly by way of GNA Infra, in addition to Gás Natural's Compliance Officer.

- Siemens Agreement

On May 4, 2018 the following agreements were made (i) Shareholders' Agreement of GNA Infra between Gás Natural and Siemens Energy Inc., which established Siemens Energy Inc.'s right to appoint two members to the Board of Directors of GNA Infra; and (ii) the Shareholders' Agreement of GNA I between GNA Infra and Dresser-Rand Participações Ltda., a wholly-owned subsidiary of Siemens ("Siemens"). In addition to confirming Siemens' investment commitment to have the 1,238 MW thermal power plant built by GNA I, amongst other things the Shareholders' Agreement establishes Siemens' right to appoint up to two members to the Board of Directors of GNA I, in addition to its CFO.

**Members of the Executive Board**

Bernardo de Araújo Chaves Perseke  
**CEO**

Eugenio Leite de Figueiredo  
**Chief Financial Officer**

Leonardo Fortuna Bernardo Ribeiro  
**Manager of the Controller's Department**  
**CRC-RJ-091229/O-9**