UTE GNA I Geração de Energia S.A.

Financial Statements as of December 31, 2018 and 2017

KPDS 437794

Contents

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Independent Auditor's Report on the Financial Statements

To the Shareholders and Board of directors of

UTE GNA I Geração de Energia S.A

Rio de Janeiro - RJ

Opinion

We have audited the financial statements of UTE GNA I Geração de Energia S.A ("the Company"), which comprise the balance sheet as of December 31, 2018, and the statements of operations and other comprehensive loss, changes in shareholder´s equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Practices adopted in Brazil and the International Financial Reporting Standards (IFRS) issued by 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 in accordance with the relevant ethical requirements included in 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.

Emphasis of matter – Pre-operational stage

As mentioned in note 1 in the Financial Statements, the Company is in the pre-operational stage and consequently has not generated cash flow from its activities. Therefore, the capital and operating expenses incurred by the Company depends on the financial support of its shareholders. The financial statements should be read in this context. Our opinion is not modified due to this matter.

Responsibilities of Management 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 the International Financial Reporting Standards (IFRS) issued by 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 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from 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.

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 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 and its subsidiary's 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 and 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 subsidiary 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management regarding, 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, March 22, 2019

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Original in Portuguese signed by
Luis Claudio França de Araújo
Contador CRC RJ-091559/O-4

UTE GNA I Geração de Energia S.A.

Balance sheet as of December 31, 2018 and 2017

(In thousand of reais)

	Note	2018	2017
Asset			
Current			
Cash and cash equivalents	9	53,427	260
Escrow account	10	200	-
Accounts receivables	18	118	-
Other advances		51	-
Prepaid expense	11	43,715	2,084
Recoverable taxes	12	864	-
Income taxes and contributions recoverable	12	489	-
Other receivables		2	-
Total current assets		**98,866**	**2,344**
Non-current			
Prepaid expense	11	11,617	-
Deffered tax	13	7,019	-
Property, plant and equipment	14	796,159	12,060
Intangible assets	15	30,813	30,000
Total non-current assets		**845,608**	**42,060**
Total assets		**944,474**	**44,404**

UTE GNA I Geração de Energia S.A.

Balance sheet as of December 31, 2018 and 2017

(In thousand of reais)

	Note	2018	2017
Liabilities			
Current			
Suppliers	16	8,589	1,461
Salaries and charges payable	17	4,091	-
Accounts payable	18	20,762	623
Taxes payable	19	2,432	-
Trade accounts payable	20	9,579	10,000
Total current liabilities		**45,453**	**12,084**
Non-current			
Trade accounts payable	20	21,385	20,000
Total non-current liabilities		**21,385**	**20,000**
Shareholders' equity	21		
Share capital		445,698	1
Capital reserves		445,612	12,320
Accumulated losses		(13,674)	(1)
Total shareholders' equity		**877,636**	**12,320**
Total liabilities and shareholders'equity		**944,474**	**44,404**

The notes are an integral part of these financial statements.

UTE GNA I Geração de Energia S.A.

Statements of operations

Years ended December 31, 2018 and 2017

(In thousands of reais)

	Note	2018	2017
Operating expenses			
Administrative expenses	22	(22,050)	-
Impairment and other losses	9	(5)	-
Net income before financial revenue (expenses)		**(22,055)**	**-**
Financial Revenue/Expense	23		
Finance income		3,113	-
Finance expenses		(1,750)	(1)
Loss before taxes		**(20,692)**	**(1)**
Deffered income and social contribution taxes	13	7,019	-
Loss for the year		**(13,673)**	**(1)**

The notes are an integral part of these financial statements.

UTE GNA I Geração de Energia S.A.

Statements of comprehensive income (loss)

Years ended December 31, 2018 and 2017

(In thousands of reais)

	2018	2017
Loss for the year	(13,673)	(1)
Other comprehensive loss	-	-
Total comprehensive loss for the year	**(13,673)**	**(1)**

The notes are an integral part of these financial statements.

UTE GNA I Geração de Energia S.A.

Statements of changes in shareholders´ equity

Years ended December 31, 2018 and 2017

(In thousands of reais)

	Share capital	Capital reserves: Advance for future capital increase	Capital reserves: Capital reserves	Accumulated losses	Total shareholders' equity
Balance as of December 31, 2016	**1**	**-**	**-**	**-**	**1**
Loss for the year	-	-	-	(1)	**(1)**
Advance for future capital increase	-	12,320	-	-	**12,320**
Balance as of December 31, 2017	**1**	**12,320**	**-**	**(1)**	**12,320**
Loss for the year	-	-	-	(13,673)	**(13,673)**
Capital increase and capitalization of AFAC - GNA Infra	298,617	(12,320)	-	-	**286,297**
Capital increase - Siemens	147,080	-	-	-	**147,080**
Capital reserve increase - GNA Infra	-	-	298,560	-	**298,560**
Capital reserve increase - Siemens	-	-	147,052	-	**147,052**
Balance as of December 31, 2018	**445,698**	**-**	**445,612**	**(13,674)**	**877,636**

The notes are an integral part of these financial statements.

UTE GNA I Geração de Energia S.A.

Statements of cash flows

Years ended December 31, 2018 and 2017

(In thousands of reais)

	2018	2017
Cash flows from operating activities		
Loss before tax	(20,692)	(1)
Adjustments for:		
Depreciation and amortization	1	-
Exchange losses	1,385	-
Adjusted net loss	**(19,306)**	**(1)**
(Increase) decrease in assets and increase (decrease) in liabilities:		
Recoverable taxes	(1,353)	-
Prepaid expense	(53,248)	(2,084)
Other advances	(51)	-
Other receivables	(2)	-
Escrow account	(200)	-
Accounts receivables	(118)	1,461
Suppliers	7,128	-
Accounts payable	20,139	623
Taxes payables	2,432	-
Trade accounts payable	(421)	30,000
Salaries and charges payable	4,091	-
Net cash used in operating activities	**(40,909)**	**29,999**
Cash flows from investing activities		
Acquisition of PPE	(784,100)	(12,060)
Acquisition of intangible	(813)	(30,000)
Net cash provided by investing activities	**(784,913)**	**(42,060)**
Cash flows from financing activities		
Capital increase by controlling shareholder	286,297	-
Capital increase by non-controlling shareholder	147,080	-
Capital reserves by controlling shareholder	298,560	-
Capital reserves by non-controlling shareholder	147,052	-
Advance for future capital increase by controlling shareholder	-	12,320
Net cash provided by financing activities	**878,989**	**12,320**
Increase in cash and cash equivalents	**53,167**	**259**
At the beginning of the year	260	1
At end of year	53,427	260
Increase in cash and cash equivalents	**53,167**	**259**

The notes are an integral part of these financial statements.

Notes to the financial statements

(In thousands of Reais, unless stated otherwise)

1 Operations

UTE GNA I Geração de Energia S.A. (“GNA I” or “Company”) was incorporated on September 17, 2015 and on October 20, 2017 the company was changed from a limited company to a privately held corporation. Its core activities are studying, planning, protecting, constructing, operating, maintaining and exploring of electricity generation systems awarded to it by concession or authorization of any nature; trading electricity; activities associated with the electricity service, including the management of energy transmission and generation systems; construction, maintenance, operation and exploration of liquefied natural gas (LNG) terminals and natural gas pipelines; transportation of gases and liquids through pipelines and transfer lines acquiring interests in other companies, and representing Brazilian and foreign companies. Its direct parent company is Gás Natural Açu Infraestrutura S.A. (”GNA Infra”) and indirect parent company is Gás Natural S.A (“GNA HoldCo”), a subsidiary of Prumo Logística S.A (Prumo).

In the registered share transfer book of GNA 1, on December 15, 2017 the shareholder GNA HoldCo transferred 320,990 shares and the shareholder Prumo transferred 10 shares to GNA Infra.

On June 16, 2017, GNA HoldCo 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 1,298 MW thermal power plant ("Authorization") to UTE GNA 1. The agreement entails the transfer of the 37 energy trading agreements in the regulated environment (CCEARs) entered into with energy distribution companies.

On December 19, 2017 ANEEL authorizing resolution 6,769 transferred the exploration rights of Usina Termelétrica (UTE) Novo Tempo to GNA 1. The concession term was then 23 years, with operations commencing in 2021.

The project of UTE GNA I Geração de Energia S.A. ("UTE GNA I") 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.

On August 13, 2017 GNA HoldCo signed an investment agreement with Siemens, with Prumo as guarantor and the parent company Gás Natural Açu 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 GNA HoldCo 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 conditions, such as relevant regulatory approvals, the performance of a shareholders' agreement between GNA HoldCo and Siemens, the approval of the Business Plans for developing UTE 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).

On December 22, 2017 GNA HoldCo and BP Global Investments Limited (BP) entered into an investment agreement establishing:

(i) The terms and conditions for BP to acquire 30% of GNA'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 1, a subsidiary of GNA Infra, and the capital commitment necessary for this investment, proportional to its equity interests in GNA HoldCo, subject to the USD 79,200 thousand limit on BP's capital investment in the project's construction capex;

(iii) The rules of the company and potential investment by BP in future projects to be created by Gás Natural or its subsidiaries.

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 1, a subsidiary of GNA HoldCo, to build a 1,298 MW thermal power plant. Under the Shareholders' Agreement, BP is entitled to appoint up to two members to the GNA HoldCo Board of Directors and one member to GNA 1's Board of Directors, indirectly by way of GNA Infra, in addition to GNA HoldCo's Compliance Officer.

Siemens Agreement

On May 4, 2018 the following agreements were made (i) Shareholders' Agreement of GNA Infra between GNA HoldCo 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 1 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 1,298 MW thermal power plant built by GNA 1, amongst other things the Shareholders' Agreement establishes Siemens' right to appoint up to two members to the Board of Directors of GNA 1, in addition to its CFO.

Licenses

The Company has preliminary environmental licenses for up to 1.3 GW in combined-cycle thermoelectric.

Description	**Document**	**Date of issuance**	**Term**
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
License for the implementation of the New Tempo GNA II, with natural gas, with an installed capacity of 1,298,963MW, in a combined cycle, and 1.6km transmission line, with suppression in an area of 1,1407 hectares and to capture, transport, rescue and monitoring of wildlife.	LI nº IN044379	03/09/2018	03/09/2023
Licensing for earthmoving; construction site; and implementation of the LNG regasification port terminal at the North Jetty of terminal 2 of the Açu Port, and support structures (pipeline, effluent pipeline and submarine emissary) to carry out the activities of reception, storage, regasification and dispatch of natural gas.	LI nº IN047687	12/18/2018	12/18/2020
License for the installation of UTE GNA I Geração de Energia SA, with natural gas, with installed capacity of 1,298,968MW, in combined cycle, and transmission line of 1.6KM, contemplating the alterations of layout, auxiliary infrastructure (utilities, treatment water storage, administrative buildings, container workshop, storage room and laboratory) and the temporary infrastructure for implantation (construction sites), suppression of restinga vegetation in an area of 1.4907 hectares and capture, transport, rescue and monitor fauna wild.	LI nº IN04056	08/14/2018	03/09/2023
Preliminary and installation license approving the design, location and implantation of a temporary construction site and area approximately 65,000 m², contemplating the suppression of 277 native tree individuals isolated in an area of 5.89ha of pasture and of 0.06ha of live fences of Exotic species Euphorbia tirucalli (gaiolinha) and group of exotic species Syzygium cumini (jamelão).	LPI nº IN047115	11/12/2018	11/12/2023

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will obtain enough financial resources to generate future cash flow.

The Company recorded losses in the amount of R$ 13,673 for the year ended December 31, 2018 (R$ 1 as of December 31, 2017), and on that date, current assets exceed current liabilities by R$ 53,413 (Current Capital net of R$ 9,740 as of December 31, 2017). Although the Company is in a pre-operational phase, Management does not recognize the uncertainty about the future capacity of operating cash flow generation considering:

- Increase in paid-in capital of R$ 445,697, see explanatory note 21.a;

- Future operating cash flow, based on the business plan reviewed by periodically specialized consulting; and

- On December 20, 2018, the Company signed a financing agreement with BNDES and KFW IPEX-Bank in the amount of R$ 1.76 billion, which will be used to implement the GNA I TPP, the construction of the LNG terminal, and such as a substation and a transmission line. The loan release expectation is for the second quarter of 2019.

2 Basis of preparation and presentation of the financial statements

a. Statement of compliance

The Company's financial statements have been prepared in accordance with the international financial reporting standards (“IFRS”) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil (“BR GAAP”).

Authorization for the conclusion of the preparation of this financial statements information was given by Management on March 22, 2019.

After its issuance, only the shareholders have the power to change the financial statements.

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.

3 Basis of preparation

The financial statements has been prepared based on the historical cost basis, except for certain financial instruments which have been measured at fair value through profit and loss.

4 Functional and presentation currency

These financial statements are reported in Reais, which is the Company’s functional currency. All balances were rounded to the nearest thousand, unless otherwise noted.

5 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.

Significant items subject to estimates include the evaluation of the useful lives of property, plant and equipment, the analysis of the recovery of fixed assets, intangible assets, the evaluation of the recoverable amount of deferred income tax and social contribution, financial instruments, among others. The future settlement of transactions involving these estimates may result in values that are different from those recorded in the Financial Statements due to the inaccuracies inherent in the determination process. The Company reviews its estimates and assumptions at least annually.

In preparing these financial statements for the year ended December 31, 2018, the accounting policies adopted are consistent with those used when preparing the Financial Statements as of December 31, 2017, except for the new accounting policies related to the adoption of IFRS 9 - Financial Instruments.

6 Main changes in accounting policies

The Company initially adopted the IFRS 9 - Financial Instruments (CPC 48 - Financial Instruments) and IFRS 15 - Revenue from contracts with customers (CPC 47 - Revenue from contracts with customers) as from January 1st, 2018.

A number of other new standards also came into effect as of January 1, 2018, but did not materially affect the Company's financial statements.

Due to the transition methods chosen by the Company in the application of these standards, comparative information on these financial statements have not been restated for reflect the requirements of the new standards, except for the separate presentation of impairment of assets.

The initial application effect of these standards is mainly attributed to the following:

- recognized impairment losses on assets.

a. CPC 47 / IFRS 15 Revenue from contract with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including CPC 30 (IAS 18) Revenue, CPC 17 (IAS 11) Construction Contracts and CPC 30 Interpretation A (IFRIC 13) Customer Loyalty Programs. IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

Determining the timing of the transfer of control - at a specific point in time or over time - requires judgment.

CPC 47 / IFRS 15 had no significant impact on the Company's accounting policies, since the Company is in a pre-operational stage and there is no recognition of revenue.

b. CPC 48/IFRS 9 Financial instruments

CPC 48 / IFRS 9 establishes requirements to recognize and measure financial assets, financial liabilities and some contracts for the purchase or sale of non-financial items. This standard replaces CPC 38 / IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of CPC 48 / IFRS 9, the Company adopted the changes resulting from CPC 26 / IAS 1 Presentation of Financial Statements, which require that the impairment of financial assets be presented separately on the income statement.

Previously, the Company's approach was to include the impairment of other expenses. Impairment losses on financial assets are presented under the caption "Impairment of assets", separately in the statement of income.

7 Significant accounting practices

The accounting policies adopted by the Company are:

7.1 Financial instruments

(i) Initial recognition and measurement

Customer receivables and debt securities issued are initially recognized on the date they were originated. All other financial assets and liabilities are recognized initially when the Company becomes part of the contractual provisions of the instrument.

A financial asset (unless it is an accounts receivable from customers without a significant financing component) or financial liability is initially measured at fair value, plus, for an item not measured at the FVTPL, the transaction costs that are directly attributable to acquisition or issue. An accounts receivable from customers without a significant component of financing is initially measured at the price of the transaction.

(ii) Classification and Subsequent Measurement

Financial instruments – Policy applicable as of January 1, 2018.

On initial recognition, a financial asset is classified as measured: at amortized cost; for FVOCI (Fair Value through other comprehensive income) - debt instrument; for FVOCI - equity instrument; or the FVTPL (fair value through profit or loss)

Financial assets are not reclassified subsequent to initial recognition, unless the Company changes the business model for the management of financial assets, in which case all affected financial assets are reclassified on the first day of the reporting period subsequent to the change in business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as measured in the FVTPL:

- is maintained within a business model whose purpose is to maintain financial assets to receive contractual cash flows; and

- their contractual terms generate, on specific dates, cash flows related only to payment of principal and interest on the principal amount outstanding

A debt instrument is measured at the FVOCI if it meets both of the following conditions and is not designated as measured at the FVTPL

- is maintained within a business model whose objective is achieved both by receiving contractual cash flows and by the sale of financial assets; and

- their contractual terms generate, on specific dates, cash flows that are only payments of principal and interest on the principal amount outstanding

In the initial recognition of an investment in an equity instrument that is not held for trading, the Company may irrevocably choose to present subsequent changes in the fair value of the investment in ORA. This choice is made by investment.

All financial assets not classified as measured at amortized cost or to FVOCI, as described above, are classified as FVTPL

On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or to the FVOCI and to the FVTPL if this eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company performs an evaluation of the business model objective in which a financial asset is held in the portfolio because this better reflects the way in which the business is managed and the information is provided to Management. Information considered includes:

- the policies and objectives set out for the portfolio and the practical operation of these policies

They include the question of whether Management's strategy focuses on obtaining contractual interest income, maintaining a certain interest rate profile, matching the duration of financial assets with the duration of related liabilities or expected outflows of cash, or the realization of cash flows through the sale of assets;

- how the performance of the portfolio is evaluated and reported to the Company's Management;

- the risks that affect the performance of the business model (and the financial asset held in that business model) and the way those risks are managed;

- how the business managers are remunerated - for example, whether the compensation is based on the fair value of the assets managed or the contractual cash flows obtained; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and their expectations about future sales.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales, in a manner consistent with the ongoing recognition of the Company's assets.

Financial assets - evaluation if contractual cash flows are only the principal and interest payments: Policy applicable as of January 1, 2018

For purposes of this assessment, the "principal" is defined as the fair value of the financial asset at the initial recognition. 'Interest' is defined as a consideration for the time value of money and for the credit risk associated with the amount of principal outstanding for a given period of time and for the other risks and costs underlying the loan (eg liquidity risk and costs administrative costs), as well as a profit margin.

The Company considers the contractual terms of the instrument to assess whether contractual cash flows are only the principal and interest payments. This includes assessing whether the financial asset contains a contractual term that may change the term or value of the contractual cash flows so that it does not meet this condition. In making this evaluation, the Company considers:

- contingent events that modify the value or timing of cash flows;
- terms that can adjust the contractual rate, including variable rates;
- prepayment and extension of the term; and
- terms that limit the Company's access to cash flows of specific assets (for example, based on the performance of an asset).

Financial assets - Business model evaluation: policy applicable as of January 1, 2018

The prepayment is consistent with the principal and interest payment criterion if the prepayment amount represents, in most cases, unpaid principal and interest amounts on the principal amount outstanding - which may include additional compensation for termination agreement. In addition, in respect of a financial asset acquired for a value less than or greater than the nominal value of the contract, the permit or prepayment requirement for a value representing the nominal value of the contract plus the contractual interest (which may also include compensation (but not paid) are treated as consistent with this criterion if the fair value of the prepayment is insignificant at initial recognition

Financial assets - Subsequent measurement and gains and losses: Policy applicable as of January 1, 2018

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the

cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Financial liabilities - classification, subsequent measurement and gains and losses

Financial liabilities were classified as measured at amortized cost or to FVTPL. A financial liability is classified as measured at fair value through profit or loss if it is classified as held for trading, is a derivative or is designated as such at initial recognition. Financial liabilities measured at FVTPL are measured at fair value and net income, including interest, is recognized in income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense, exchange gains and losses are recognized in income. Any gain or loss on derecognition is also recognized in income.

(iv) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows of the asset expire, or when the Company transfers the contractual rights of receipt to the contractual cash flows on a financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred or in which the Company neither transfers nor maintains substantially all the risks and benefits of ownership of the financial asset and also does not retain control over the financial asset.

The Company carries out transactions in which it transfers assets recognized in the balance sheet, but retains all or substantially all the risks and benefits of the assets transferred. In such cases, financial assets are not derecognized.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligation is withdrawn, canceled or expires. The Company also derecognizes a financial liability when the 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.

In the derecognition of a financial liability, the difference between the extinct book value and the consideration paid (including transferred assets that do not pass through the cash or assumed liabilities) is recognized in profit or loss.

(v) Compensation

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

7.2 Asset Recovery Value Analysis

The Company's Management annually reviews the net book value of its assets with the purpose of evaluating events or changes in economic, operational or technological circumstances that may indicate deterioration or loss of its recoverable value. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for devaluation is recorded, adjusting the net book value to the recoverable value.

In the years ended December 31, 2018 and 2017, there was no need to recognize impairment losses.

7.3 Adjustment to present value of assets and liabilities

Long-term monetary assets and liabilities are monetarily restated and adjusted for their present value. The adjustment to present value of short-term monetary assets and liabilities is calculated, and only recorded, if it is considered relevant in relation to the financial statements taken as a whole. For purposes of recording and determining relevance, the adjustment to present value is calculated taking into account the contractual cash flows and the explicit interest rate, and in certain cases implicit, of the respective assets and liabilities. Based on the analyzes performed and the best estimate of the administration.

7.4 Impairment of non-financial assets

Management annually reviews the events or changes in the economic, operational or technological circumstances of each asset or cash-generating unit that may indicate impairment or loss of its recoverable value. If such evidence is identified and the net book value exceeds the recoverable amount, a provision for devaluation is recorded, adjusting the net book value to the recoverable value.

Impairment losses are recognized in income and are reversed only in the condition that the carrying amount of the asset or CGU does not exceed the book value that would have been calculated if no impairment loss had been recognized for the asset or CGU in previous years. The reversal of the impairment loss is recognized immediately in profit or loss.

A CGU is defined as the smallest identifiable group of assets that generate cash inflows, regardless of the cash inflows of other assets or group of assets. The recoverable amount of a CGU is defined as the higher of the value in use and the fair value less costs to sell.

When estimating the value in use of the asset, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the weighted average cost of capital for the segment in which CGU operates. Fair value is determined, whenever possible, based on a firm sales contract in a commutative transaction between knowledgeable and interested parties, adjusted by expenses attributable to the sale of the asset, or, when there is no basis in the market price. of an active market, or the price of the most recent transaction with similar assets.

Objective evidence that non-financial assets had a loss of value includes:

- Observable indicators of significant reduction of the value of the asset;
- Technological, market, economic or legal changes in which the entity operates the asset;
- Increase of interest rates practiced in the market of return on investments affecting the discount rate used by the Company;
- The book value of the entity's equity is greater than the value of its shares in the market;
- Available evidence of obsolescence or physical damage to an asset;
- Discontinuance or restructuring of the operation to which an asset belongs;

- Observable data indicating that the economic performance of an asset is or will be worse than expected.

In the years ended December 31, 2018 and 2017, there was no indication of deterioration and as a result, the Company did not analyze its assets.

7.5 Property, plant and equipment

Property, plant and equipment is measured at historical cost, less accumulated depreciation, calculated by the depreciation rate according to ANEEL 674 normative resolution. Historical cost includes expenses directly attributable to the acquisition of items and financing costs related to the acquisition of qualifying assets.

7.6 Income and social contribution taxes

Income and social contribution taxes for the current and deferred fiscal year are calculated based on the rates of 15%, plus an additional 10% on taxable income in excess of R$ 240 for income tax and 9% on taxable income for social contribution on net income, and consider the offsetting of tax losses and negative basis of social contribution, limited to 30% of the net income for the year.

Income tax and social contribution expenses comprise current and deferred income and social contribution taxes. Current and deferred taxes are recognized in income unless they are related to the business combination or items directly recognized in equity or other comprehensive income.

Current income tax and social contribution expenses

Current tax expense is the tax payable or receivable estimated on the taxable profit or loss for the year and any adjustment to taxes payable in respect of prior years. The amount of current taxes payable or receivable is recognized in the balance sheet as a tax asset or liability for the best estimate of the expected value of the taxes to be paid or received that reflects the uncertainties related to its determination, if any. It is measured based on the tax rates enacted at the balance sheet date.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred income tax and social contribution expenses

Deferred tax assets and liabilities are recognized with respect to temporary differences between the carrying amounts of assets and liabilities for the purpose of financial statements and those used for tax purposes.

A deferred tax asset is recognized in respect of tax losses and unused deductible temporary differences to the extent that it is probable that future taxable income will be available against which it will be used. The probability of recovery of these balances is reviewed at the end of each year. when future taxable income is no longer likely to be available and allow the full or partial recovery of these taxes, the asset balance is reduced to the amount that is expected to be recovered.

7.7 Provisions

Provisions are recognized based on a past event when there is a legal or constructive obligation that can be estimated reliably and if it is probable that an economic resource is required to settle this obligation. When applicable, provisions are cleared by discounting the expected future cash outflows at a rate that considers the current market valuations and the specific risks for liabilities.

7.8 Financial income and expenses

Interest income and expense are recognized in the income statement using the effective interest method.

7.9 Measurement of fair value

Fair value is the price that would be received in the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants at the measurement date in the main market or, in its absence, the most advantageous market to which the company has access on that date. The fair value of a liability reflects its default risk. The risk of non-compliance includes, among others, the Company's own credit risk.

A series of accounting policies and disclosures of the Company require the measurement of fair values for both financial and non-financial assets and liabilities.

When available, the Company measures the fair value of an instrument using the price quoted in an active market for that instrument. A market is considered to be active if the transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, the Company uses valuation techniques that maximize the use of relevant observable data and minimize the use of unobservable data. The valuation technique chosen incorporates all the factors that market participants would take into account when pricing a transaction.

If an asset or a liability measured at fair value has a purchase price and a sale price, the Company measures assets based on purchase prices and liabilities based on selling prices.

The best evidence of the fair value of a financial instrument on initial recognition is usually the transaction price - that is, the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is not evidenced by a price quoted in an active market for an identical asset or liability or based on an evaluation technique for which any unobservable data are judged to be insignificant in relation to measurement, then the financial instrument is initially measured at fair value adjusted to defer the difference between the fair value at the initial recognition and the transaction price. Subsequently, this difference is recognized in profit or loss on an adequate basis over the life of the instrument or until the valuation is fully supported by observable market data or the transaction is closed, whichever occurs first.

7.10 Foreign currency

a. Transactions in foreign currency

Transactions in foreign currency are converted into the respective functional currencies of the Company by the exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted to the functional currency at the exchange rate on that date. Non-monetary assets and liabilities that are measured at fair value in foreign currency are reconverted to the functional currency at the exchange rate on the date the fair value was determined. Non-monetary items that are measured based on historical cost in foreign currency are translated at the exchange rate on the date of the transaction. Foreign currency differences resulting from the conversion are generally recognized in income

8 New standards and interpretations not yet effective

A number of new standards will be effective for years beginning on or after January 1, 2019. The Company did not adopt these changes in the preparation of these financial statements and does not plan to adopt these standards in advance.

Among the standards that are not yet in force, it is expected that CPC 06 (R2) / IFRS 16 will have a material impact on the Company's financial statements in the initial application period.

a. CPC 06 (R2) / IFRS 16 - Leases

The Company shall adopt CPC 06 (R2) / IFRS 16 - Leases as of January 1, 2019. The Company has assessed the potential impact that the initial application of CPC 06 (R2) / IFRS 16 will have on the financial statements. The actual impacts of adopting the standard as of January 1, 2019 may change because the new accounting policies are subject to change until the Company presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single model for the accounting of leases in the balance sheet for lessees. A lessee recognizes a right of use asset that represents his right to use the leased asset and a lease liability that represents his obligation to make lease payments. Exemptions are available for short-term leases, low-value items and leases whose assets are not identified under contract or after the contract is started. The lessor's accounting remains similar to the current standard, that is, lessors continue to classify leases as financial or operating.

IFRS 16 (CPC 06) replaces existing lease standards, including CPC 06 (IAS 17) Leasing Operations and ICPC 03 (IFRIC 4, SIC 15 and SIC 27) Complementary Aspects of Leasing Operations.

Based on the information currently available, the Company estimates that it will recognize additional lease obligations from R$ 120,000 to R$ 140,000 on January 1, 2019.

b. Other standards not yet effective

The following amended standards and interpretations should not have a significant impact on financial statements of the Company.

- IFRIC 23 / ICPC 22 Uncertainty about Tax Treatment on Profit.

- Prepayment Characteristics with Negative Remuneration (Changes in IFRS 9).
- Investment in Affiliate, Subsidiary and jointly controlled enterprise (Changes in CPC 18 (R2) / IAS 28).
- Changes in Plan, Reductions or Settlement of the Plan (Amendments in CPC 33 / IAS 19).
- Cycle of annual improvements in IFRS 2015-2017 - various standards.
- Changes in the references to the conceptual framework in IFRS.
- IFRS 17 Insurance Contract.

9 Cash and cash equivalents

	2018	**2017**
Cash and bank deposits	82	260
Short-term investments		
CDB (a)	53,350	-
	53,350	**-**
	53,432	**260**
Provision for expected loss (b)	(5)	-
Total	**53,427**	**260**

(a) The balance of cash and cash equivalents at December 31, 2018 consists of a current account and a CDB application at Santander, which are readily convertible into a known amount of cash and are subject to an insignificant risk of change in value.

(b) The estimated financial losses were calculated based on the loss rates of a Corporate Default study published by S&P on April 13, 2017, referring to 15 years of data collected by S & P on the default risk of companies at each level rating.

Cash and cash equivalents are held with banking and financial counterparties, which are grouped into 5 levels, separated by AAA and BB according to their rating on Fitch Ratings, Moody's and Standard & Poor's. As shown in the table below, the counterparties in which the Company has outstanding balances as of December 31, 2018 are classified in AAA, based on the average of their ratings in the rating companies listed above.

The estimated loss position in cash and cash equivalents was calculated based on the expected loss rate of 12 months and reflects the maturity dates of the risk exposures.

In thousand reais

Level of Risk	**Rating**	**Gross Balance**	**Loss rate(1)**	**Provision for loss**
Level 1	AAA	53	0,01%	5

Loss Rate considers the Global Corporate Average Default Rate for 1 year released by S & P on 04/13/17.

10 Escrow account

As of December 31, 2018, the balance of bank deposits is R$ 200, consisting of the guarantee pledge for competitive tenders 3/2018 of the public notice, containing the construction and exploration of port facilities in the region of São João da Barra by Antaq.

11 Prepaid expense

	2018	2017
Insurance premium (a)	21,459	1,461
Transaction cost (b)	33,873	623
Total	**55,332**	**2,084**
Current	43,715	2,084
Non-current	11,617	-
Total	**55,332**	**2,084**

(a) Insurance premiums: engineering risks, civil liability, transportation and bail.

(b) Transaction cost to obtain financing from the thermal and LNG regasification terminal, both projects mentioned in Note 1. The amounts are presented in current and non-current assets until the effective funding of the financing resources occurs, where they will be from that moment, reclassified to the liability, as reducing accounts of the outstanding balance of the loans.

12 Recoverable taxes

	2018	2017
Income tax withheld at source (“IRRF”)	612	-
Income tax and social contribution (“IRPJ/CSLL”)	490	-
PIS and COFINS on imports	251	-
Total	**1,353**	**-**

13 Deffered tax

	2018	2017
Profit before tax	**(20,692)**	**(1)**
Income tax and social contribution rate	34%	34%
Deferred income and social contribution taxes (base x aliquot)	**7,035**	**-**
Addtions:		
Provision for PLR	740	-
Provision for estimated loss	2	-
Pre-operating expenses	6,277	-
Total deferred income and social contribution	**7,019**	**-**
Current	-	-
Deferred	7,019	-
Effective rate	**33.92%**	**-%**

Technical feasibility studies indicate the full recovery capacity in the subsequent years of the recognized deferred tax amounts and correspond to Management's best estimates of the future evolution of the Company and the market in which it will start operations in 2021.

14 Property, plant and equipment

a. Balance breakdown

	Annual depreciation rate %	Cost	Accumulated depreciation	Net 2018	Net 2017
Advances for property, plant and equipment formation	-	278,493	-	278,493	8,138
Works in progress and equipment under construction	-	517,495	-	517,495	3,922
Furniture and utensils	10%	112	(1)	111	-
IT equipments	20%	60		60	-
		796,160	**(1)**	**796,159**	**12,060**

	Annual depreciation rate %	Cost	Accumulated depreciation	Net 2017	Net 2016 (not reviewed)
Advances for property, plant and equipment formation	-	8,138	-	8,138	-
Works in progress and equipment under construction	-	3,922	-	3,922	-
		12,060	**-**	**12,060**	**-**

b. Change in the cost

	2017	Change				2018
	Cost	**Additions**	**Accumulated depreciation**	**Writte-off PPE**	**Transfers (*)**	**Cost**
Cost						
Advances for property, plant and equipment formation (*)	8,138	327,177	-	-	(56,822)	278,493
Works in progress and equipment under construction (**)	3,922	456,751	-	-	56,822	517,495
Furniture and utensils	-	112	(1)	-	-	111
IT equipments	-	60	-	-	-	60
	12,060	**784,100**	**(1)**	**-**	**-**	**796,159**

	2016	Change				2017
	Cost	**Additions**	**Accumulated depreciation**	**Writte-off PPE**	**Transfers (*)**	**Cost**
Custo						
Advances for property, plant and equipment formation (*)	-	8,138	-	-	-	8,138
Works in progress and equipment under construction (**)	-	3,922	-	-	-	3,922
	-	**12,060**	**-**	**-**	**-**	**12,060**

(*) Advance for formation of fixed assets: The balance of advances on December 31, 2018 consists of advances made to suppliers for equipment delivery.

(**) The works in progress as of December 31, 2018 consists of expenses incurred on works on the thermal power plant.

15 Intangible assets

	Usefull life	2018	2017
Energy sale receivable (*)	23 years	30,000	30,000
Software licenses	5 years	813	-
Total		**30,813**	**30,000**

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

16 Suppliers

	2018	2017
National suppliers	7,287	1,461
Foreign suppliers	1,302	-
Total	**8,589**	**1,461**

17 Salaries and charges payable

	2018	2017
Bonuses payable	2,572	-
Holiday payable	513	-
Holiday charges payable	300	-
National Institute of Social Security “INSS” payable	591	-
Guarantee fund for time of service“FGTS” payable	111	-
Insurance	3	-
Union contribution	1	-
Total	**4,091**	**-**

18 Related parties

The Company adopts practices of Corporate Governance and/or recommendations required by law. Furthermore, the Company´s Corporate Governance Policy establishes that the members of the Board of Directors must monitor and administrate any potential conflicts of interest among the executive officers, the members of the Board and the partners, in such a way as to avoid the inappropriate use of Company assets and, especially, abusive conduct in transactions between related parties.

In compliance with Corporation Law, all members of the Company's Board of Directors are prohibited from voting in any assembly or meeting of the Board, or from acting in any operation or business transaction in which there are interests in conflict with those of the Company.

The main balances of related-party assets and liabilities as of December 31, 2018 and December 31, 2017, as well as the related-party transactions that affected income for the period, are the result of transactions between the Company and its subsidiaries, members of Management and other related parties, as follows:

	2018	2017
Assets:		
Expenses to be recovered		
GNA Infra (a)	118	-
GNA HoldCo (b)	1,280	623
Property, plant and equipment		
GNA HoldCo (c)	9,065	-
Total assets	**10,463**	**623**
Liabilities:		
Accounts payables		
GNA HoldCo (d)	17,171	-
GNA Infra (d)	3,252	-
Prumo Logística S.A (d)	174	-
Porto do Açu Operações S.A (d)	165	-
Lakeshore (b)	-	623
Total	**20,762**	**623**

Operating expenses:

	2018	2017
Shared costs		
GNA HoldCo (e)	(5,430)	-
GNA Infra (e)	(2,290)	-
Prumo Logística S.A (e)	(1,570)	-
Porto do Açu Operações S.A (e)	(475)	-
Total	**(9,765)**	**-**

a) Shared costs receivable;
b) Transaction costs on financing;
c) Cost related the work of Termica;
d) Charge referring to shared costs, timesheet and recovery of expenses
e) Shared personnel and administrative costs.

The compensation of key management staff has been presented below:

	2018	2017
Executive Officers		
Management fees	(458)	-
Bonuses	(19)	-
Benefits and charges	(139)	-
Transfer of costs between companies (a)	(1,438)	-
Total	**(2,054)**	**-**

(a) These are amounts related to management expenses at GNA Infra and Gás Natural and which were transferred to the Company.

19 Taxes payable

	2018	2017
Services tax (“ISS”)	194	-
INSS third parties	7	-
Tax on the circulation of goods and services ("ICMS")	115	-
Income tax withheld at source (“IRRF”)	806	-
PIS/COFINS	18	-
PIS/COFINS/CSLL - Withheld	1,292	-
Total	**2,432**	**-**

20 Trade accounts payable

	2018	2017
TCCA - commitment term environmental compensation (a)	9,579	-
Bolognesi Energia (b)	21,385	30,000
Total	**30,964**	**30,000**
Current	9,579	10,000
Non-current	21,385	20,000

(a) Commitment term environmental compensation
The purpose of this term is to establish the environmental compensation provided for in article 36 of Federal Law 9,985/00, which established a value of R$ 28,736, to be paid monthly, in 12 equal installments in the amount of R$ 2,395.

On December 31, 2018, the Company has already paid 7 installments, leaving 4 outstanding, totaling the amount of R$ 9,579.

(b) In the contract the payable amounts are divided into fixed installments. R$ 30,000 has already been provisioned for, 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:

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

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.

21 Shareholders' equity

	2018		2017	
Shareholder´s	**Number of common shares (thousand)**	**% participation**	**Number of common shares (thousand)**	**% participation**
GNA Infra	597,178	67%	1	100%
Siemens	294,132	33%	-	-
Total	**891,310**	**100%**	**1**	**100%**

a. Share capital

At December 31, 2018, the Company's capital stock is R$ 445,698, represented by 891,310 registered common shares with no par value (R$ 1 as of December 31, 2017).

b. Capital reserve

On December 31, 2018, the Capital Reserve of R$ 445,612 was created, where the parent company GNA Infra contributed R$ 298,560 and Siemens contributed R$ 147,052.

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 the financial year ended December 31, 2017 and did not pay out dividends.

22 General and administrative expenses

	2018	**2017**
Cost sharing (a)	(9,765)	-
Salaries and charges	(7,193)	-
Advocative hours	(3,068)	-
Consulting	(877)	-
Taxes and fees	(402)	-
IT support	(241)	-
Audit	(202)	-
Rents	(59)	-
Depreciation	(1)	-
Other	(242)	-
Total	**(22,050)**	**-**

(a) These are amounts related to general and administrative expenses at the companies GNA Infra and Gás Natural and which were transferred to the Company.

	2018	**2017**
Salaries and charges	(7,853)	-
Consulting	(1,828)	-
Other	(84)	-
Total	**(9,765)**	**-**

23 Financial Results

As of December 31, 2018, the balance of finance income, amounted to R$ 1,363, as follows:

	2018	2017
Finance costs		
Bank expenses	(3)	(1)
Commissions and brokerages	(23)	-
IOF	(49)	-
Fine and interest	(286)	-
Exchange losses - IPCA	(1,385)	-
Exchange variation	(4)	-
	(1,750)	**(1)**
Finance income		
Interest on investments	3,113	-
	3,113	**-**
Net finance income	**1,363**	**(1)**

24 Financial instruments

This note presents information on the Company's exposure to each of the following risks, the Company's objectives, risk and capital management exercised by the Company.

24.1 Risk management

The Company presents exposure to the following risks arising from the use of financial instruments:

(a) Market Risk

(b) Liquidity Risk

(c) Credit Risk

The Company's risk management aims to identify and analyze the risks to which it is exposed, to define appropriate risk limits and controls, and to monitor risks and adherence to limits. The Company, through the management of its activities, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligation.

Management monitors compliance with the development of its risk control activities and reviews the adequacy of the risk management structure in relation to the risks faced by the Company.

a. Market Risk

The Company's use of financial instruments is intended to protect its assets and liabilities, minimizing exposure to market risks, mainly in relation to interest rate swings, price indices and currencies. The Company has not entered into derivative contracts to hedge against these risks, but these are monitored periodically by Management. The Company also does not practice speculative investments or any other risky assets. As of December 31, 2018 and 2017, there was no significant exposure to the Company.

Interest rate risk refers to the impacts on variable interest rates on financial income from financial investments.

b. *Liquidity Risk*

It is the risk that the Company will encounter difficulties in complying with the obligations associated with its financial liabilities that are settled with cash payments or with another financial asset. The Company's approach to liquidity management is to ensure as much as possible that it always has sufficient liquidity to meet its obligations under the normal and stress conditions without causing unacceptable losses or risks of damaging the Company's reputation.

The permanent monitoring of the cash flow allows the identification of eventual fundraising needs, with the necessary advance for structuring and choosing the best sources.

Financial liabilities	Up to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Interest to be spent	2018
Suppliers	8,589	-	-	-	-	-	8,589
Accounts payable	20,762	-	-	-	-	-	20,762
Trade accounts payable	9,579	-	5,480	16,754	-	(849)	30,964
Total	**38,930**	**-**	**5,480**	**16,754**	**-**	**(849)**	**60,315**

With cash surpluses, financial investments are made for surplus funds, with the purpose of preserving the liquidity of the Company.

As of December 31, 2018, the Company had a total short-term investment of R$ 53,350.

c. *Credit Risk*

For operations involving cash and cash equivalents, the Company mitigates risks through diversification with financial institutions and the use of financial institutions with good credit quality.

It also carries out the monitoring of the exposure with each counterparty, its credit quality and its long-term ratings published by the rating agency to the main financial institutions with which the Company has open operations.

25 Insurance coverage

The Company has a policy of taking out insurance coverage for assets subject to risks in amounts considered sufficient by Management to cover possible damages, considering the nature of its activity.

The policies are in force and the premiums have been paid. The company considers its insurance coverage is consistent with other companies of similar sizes operating in the sector.

As of December 31, 2018 and 2017, the main risks covered are:

	2018	**2017**
Material damages	3,466,479	2,762,453
Civil Liability and Environmental Damages	82,578	-
Lost Earnings	4,641,960	1,449,121
Transportation of Imported Equipment	1,459,447	-

26 Commitments

On December 31, 2018 the Company had commitments for future purchases in the amount of R$ 2,264,995 (R$ 2,330,111 as of December 31, 2017), which should be fulfilled in the course of the works.

27 Subsequent events

a. Capital increase and capital reserve

Through the AGE of March 14, 2019, Gás Natural Açu Infraestrutura subscribed 199,115 new shares with unit price per share of R$ 1, which totaled R$ 99,529 for share capital and R$ 99,586 for capital reserve, and Siemens subscribed 98,072 new shares with a unit price per share of R$ 1.00, which totaled R$ 49,022 for share capital and R$ 49,050 for capital reserve.