

Quarterly Information (ITR)

Nova Transportadora do Sudeste S.A. - NTS

At March 31, 2019
with Independent Auditor's Review Report

Nova Transportadora do Sudeste S.A. - NTS

Quarterly Information (ITR)

March 31, 2019

Contents

Independent auditor's review report on quarterly information	4
Quarterly Information (ITR)	
Statements of financial position.....	3
Statements of profit or loss	5
Statements of comprehensive income	6
Statements of changes in equity	7
Statements of cash flows	8
Statements of value added	9
Notes to quarterly information	10



Centro Empresarial PB 370
Praia de Botafogo, 370
6° ao 10° andar - Botafogo
22250-040 - Rio de Janeiro - RJ - Brasil
Phone: +55 21 3263-7000
ey.com.br

A free translation from Portuguese into English of Independent Auditor's Review Report on Quarterly Information (ITR) prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Independent auditor's review report on quarterly information

To the Shareholders, Board of Directors and Officers of
Nova Transportadora do Sudeste S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the interim financial information of Nova Transportadora do Sudeste S.A. ("Company"), contained in the Quarterly Information Form (ITR), for the quarter ended March 31, 2019, which comprises the statement of financial position as at March 31, 2019 and the related statements of profit or loss, of comprehensive income, of changes in equity and of cash flows for the three-month period then ended, including explanatory information.

Management is responsible for the preparation of the interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) - Interim Financial Reporting, as well as for the fair presentation of this information in accordance with the rules issued by the Brazilian Securities and Exchange Commission ("CVM") applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and international standards on review engagements (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion on the interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information included in the quarterly information referred to above was not prepared, in all material respects, in accordance with CPC 21(R1) applicable to the preparation of Quarterly Information (ITR), and presented consistently with the rules issued by the Brazilian SEC (CVM).

Other matters

Statement of value added

We have also reviewed the statements of value added (SVA) for the three-month period ended March 31, 2019, prepared under the responsibility of the Company management, whose presentation in the interim financial information is required in accordance with the standards issued by the Brazilian SEC (CVM) applicable to the preparation of Quarterly Information (ITR). These statements were subject to the same review procedures described above and, based on our review, we are not aware of any facts that lead us to believe that they were not prepared, in all material respects, consistently with the overall interim financial information.

Rio de Janeiro, May 13, 2019.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP015199/O-6

A handwritten signature in blue ink, appearing to read 'Roberto Martorelli', is written over the printed name.

Roberto Martorelli
Accountant CRC-1RJ106103/O-0

A free translation from Portuguese into English of Quarterly Information (ITR) prepared in Brazilian currency in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR)

Nova Transportadora do Sudeste S.A - NTS

Statements of financial position
 March 31, 2019 and December 31, 2018
 (In thousands of reais)

Assets	Note	03/31/2019	12/31/2018
Current assets			
Cash and cash equivalents	5	631,886	362,083
Accounts receivable	6	835,268	804,273
Taxes recoverable	12,1	672	98
Other accounts receivable	11	23,956	17,851
Prepaid expenses		7,182	10,032
Advances		3,134	3,136
Other		108	246
		<u>1,502,206</u>	<u>1,197,719</u>
Noncurrent assets			
Restricted bank deposits	7	14,721	14,595
Judicial deposits	19,2	17,158	16,845
Taxes recoverable	12,1	8,465	8,411
Property, plant and equipment (PP&E)	8	8,507,942	8,607,430
		<u>8,548,286</u>	<u>8,647,281</u>
Total assets		<u>10,050,492</u>	<u>9,845,000</u>

Nova Transportadora do Sudeste S.A - NTS

	Note	03/31/2019	12/31/2018
Liabilities and equity			
Current liabilities			
Trade accounts payable	9	152,722	154,898
Taxes payable	12,1	60,648	55,574
Payroll and charges		10,127	14,366
Debentures payable	10	146,640	59,811
Interest on equity		-	16,561
Income and social contribution taxes payable	12,1	114,419	112,037
		484,556	413,247
Noncurrent liabilities			
Debentures payable	10	5,193,835	5,193,354
Provisions for environmental compensation	13,1	30,321	29,849
Provision for environmental constraints	13,2	65,761	69,484
Provision for contingencies	19,1	8,225	8,225
Deferred taxes	12,2	1,024,132	923,212
		6,322,274	6,224,124
Equity			
Capital	14,1	1,618,630	1,618,630
Capital reserve	14,2	1,360,199	1,360,199
Income reserve	14,3	264,833	228,800
		3,243,662	3,207,629
Total liabilities and equity		10,050,492	9,845,000

See accompanying notes.

Nova Transportadora do Sudeste S.A - NTS

Statements of profit or loss

Three-month periods ended March 31, 2019 and 2018

(In thousands of reais, unless otherwise stated)

	Note	03/31/2019	03/31/2018
Revenue	15	1,083,827	990,428
Cost of services	16	(190,757)	(186,837)
General and administrative expenses	17	(10,184)	(11,793)
Operating expenses		(10,184)	(11,793)
Operating income		882,886	791,798
Finance income	18	10,946	13,955
Finance costs	18	(90,308)	(134,155)
Finance income (costs), net		(79,362)	(120,200)
Income before income and social contribution taxes		803,524	671,598
Current income and social contribution taxes	12,3	(164,700)	(111,898)
Deferred income and social contribution taxes	12,3	(100,921)	(104,601)
Net income for the period		537,903	455,099
Basic and diluted earnings per share (in R\$)	14(d)	0.23	0.20

See accompanying notes.

Nova Transportadora do Sudeste S.A - NTS

Statements of comprehensive income

Three-month periods ended March 31, 2019 and 2018

(In thousands of reais)

	<u>03/31/2019</u>	<u>03/31/2018</u>
Net income for the period	537,903	455,099
Other comprehensive income	-	-
Comprehensive income for the period	<u>537,903</u>	<u>455,099</u>

See accompanying notes.

Nova Transportadora do Sudeste S.A - NTS

Statements of changes in equity

Three-month periods ended March 31, 2019 and 2018

(In thousands of reais)

	Capital	Capital reserve	Income reserves		Retained earnings (accumulated losses)	Total
		Capital transaction	Legal	Proposed dividends		
Balances at December 31, 2017	2,312,329	1,360,199	38,368	232,189	-	3,943,085
Net income for the period	-	-	-	-	455,099	455,099
Interest on equity	-	-	-	-	(44,360)	(44,360)
Dividends	-	-	-	(232,189)	(240,359)	(472,548)
Balances at March 31, 2018	2,312,329	1,360,199	38,368	-	170,380	3,881,276

	Capital	Capital reserve	Income reserves		Retained earnings (accumulated losses)	Total
		Capital transaction	Legal	Proposed dividends		
Balances at December 31, 2018	1,618,630	1,360,199	38,368	190,432	-	3,207,629
Net income for the period	-	-	-	-	537,903	537,903
Interest on equity	-	-	-	-	(36,426)	(36,426)
Dividends	-	-	-	(190,432)	(275,013)	(465,445)
Balances at March 31, 2019	1,618,630	1,360,199	38,368	-	226,464	3,243,661

See accompanying notes.

Nova Transportadora do Sudeste S.A - NTS

Statements of cash flows

Three-month periods ended March 31, 2019 and 2018

(In thousands of reais)

	<u>03/31/2019</u>	<u>03/31/2018</u>
Operating activities		
Net income for the period	537,903	455,099
Adjustments to non-cash income and expenses:		
Deferred income and social contribution taxes	100,921	104,601
Insurance amortization	3,193	3,603
Interest expenses on debentures and financing	87,310	133,063
Depreciation and amortization	107,882	97,077
Provision for bonus	3,292	3,968
Other	392	(4,338)
	<u>840,893</u>	<u>793,073</u>
Changes in assets and liabilities		
Trade accounts receivable	(30,995)	33,650
Taxes recoverable	(628)	49
Other accounts receivable	(6,105)	(13,687)
Judicial deposits	(99)	(878)
Other assets	(455)	(304)
Trade accounts payable and other payables	(2,176)	3,934
Proceeds and charges payable	(7,532)	(7,599)
Taxes payable	169,774	118,061
Income and social contribution taxes paid	(162,318)	(103,414)
Expenses with environmental provisions	(3,723)	(2,483)
Other liabilities	(8)	-
Net cash flows from operating activities	<u>796,628</u>	<u>820,402</u>
Investing activities		
Acquisition of PP&E	(8,394)	(9,961)
Cash flow used in investing activities	<u>(8,394)</u>	<u>(9,961)</u>
Financing activities		
Payment of interest on debentures	-	(146,956)
Payment of dividends and interest on equity	(518,431)	(537,981)
Cash flow used in financing activities	<u>(518,431)</u>	<u>(684,937)</u>
Increase in cash and cash equivalents	<u>269,803</u>	<u>125,504</u>
Changes in cash and cash equivalents		
Cash and cash equivalents at beginning of period	362,083	194,991
Cash and cash equivalents at end of period	<u>631,886</u>	<u>320,495</u>
	<u>269,803</u>	<u>125,504</u>

See accompanying notes.

Nova Transportadora do Sudeste S.A - NTS

Statements of value added

Three-month periods ended March 31, 2019 and 2018

(In thousands of reais)

	<u>03/31/2019</u>	<u>03/31/2018</u>
Value added to be distributed		
Revenues	1,268,312	1,146,596
Service revenue and other revenues	1,268,312	1,146,596
Inputs acquired from third parties	(91,621)	(87,163)
Services rendered, electric power, third-party services and other	(91,621)	(87,163)
Gross value added	1,176,691	1,059,433
Depreciation and amortization	(96,063)	(97,077)
Net value added produced by the Company	1,080,628	962,356
Value added received in transfer	10,946	13,955
Short-term investment yield – includes monetary and foreign exchange variations	10,946	13,955
Total value added to be distributed	1,091,574	976,311
Distribution of value added		
Personnel	7,086	7,745
Direct compensation	5,556	6,300
Benefits	1,068	942
Unemployment Compensation Fund (FGTS)	462	503
Taxes, charges and contributions	452,339	375,173
Federal	390,307	329,751
State	57,259	41,263
Municipal	4,773	4,159
Debt remuneration	94,246	5,231
Interest, fines and monetary/exchange differences	89,663	374
Donations and sponsorships	1,980	1,500
Trade accounts payable – non-operational services	2,603	3,334
Other debt remuneration	-	23
Equity remuneration	537,903	588,162
Interest on loans and financing taken out with related parties	-	133,063
Interest on equity	36,426	44,360
Dividends paid	275,013	240,359
Retained profit	226,464	170,380
Total distribution of value added	1,091,574	976,311

See accompanying notes.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

1. The Company and its operations

Nova Transportadora do Sudeste S.A. ("NTS" or "Company") was incorporated on January 15, 2002, and its business purpose is the construction, installation, operation and maintenance of gas pipelines in the southeast region of Brazil, including gas pipeline networks that interconnect the states of São Paulo, Minas Gerais and Rio de Janeiro.

In September 2016, Petrobras announced to the market the sales operation of 90% of the shares held by Petrobras in NTS to the Nova Infraestrutura Fundo de Investimentos em Participações Multiestratégia ("FIP"), managed by Brookfield Brasil Asset Management Investimentos Ltda., an entity affiliated with Brookfield Asset Management.

On April 4, 2017, NTS's sale operation was completed with the acquisition of 90% of NTS's shares by FIP and the subsequent sale by FIP, on the same date, of 7.65% of its shares in NTS to ITAÚSA (Itaú Investimentos S.A.).

Thus, the Company's current shareholding structure is as follows: FIP holds 82.35% of its shares, Petrobras holds 10% of its shares and ITAÚSA holds 7.65% of its shares.

On October 24, 2017, ANP issued definitive authorizations for operations on behalf of NTS with respect to its gas pipelines.

The Company has a single operating segment, related to the transportation of natural gas, which is not subject to seasonality.

2. Basis of presentation of the quarterly information

The quarterly information was prepared and is presented in accordance with Accounting Pronouncement CPC 21 (R1), Interim Financial Reporting, which was approved by the Brazilian Securities and Exchange Commission (CVM). The quarterly information was prepared based on historical cost.

This quarterly information is presented including the significant changes that occurred in the period, without repeating certain previously disclosed explanatory notes, which in management's opinion provide a comprehensive view of the Company's financial position and financial performance. Therefore, such financial information must be read jointly with the Company's annual financial statements as at December 31, 2018.

In addition, the Company considered the guidance provided for in Accounting Guidance OCPC 07 in preparing its quarterly information.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

2. Basis of preparation and presentation of quarterly information (Continued)

Accordingly, significant information of the quarterly information itself is being disclosed and corresponds to that used by management over its administration.

This quarterly information was approved by the Company's Supervisory Board on May 10, 2019.

NTS's functional currency is the Brazilian real (R\$), since this is the currency of the economic environment in which it operates.

3. Summary of significant accounting practices

The accounting policies and calculation methods used in the preparation of this quarterly information are the same as those used in the preparation of the Company's annual financial statements for the year ended December 31, 2018. In addition, the Company noted no changes in its accounting policies arising from adoption of the pronouncements as of January 1, 2019: CPC 06 (R2) - Leases.

4. Significant estimates and judgments

This quarterly information was prepared under various measurement bases used in accounting estimates. The accounting estimates involved in the preparation of this quarterly information were based on objective and subjective factors, considering management's judgment for determining the adequate amounts to be recorded in the quarterly information. Significant items subject to these estimates and assumptions include selection of useful lives and recoverability of property, plant and equipment, measurement of financial assets and liabilities at fair value and present value adjustment, as well as analysis of other risks in determining other provisions, including provision for contingencies.

The settlement of transactions involving these estimates may result in amounts materially different from those recorded in the quarterly information due to the uncertainties inherent in the estimation process. The Company reviews its estimates periodically throughout the year.

For more information on significant estimates, see Note 5 to the financial statements as at December 31, 2018.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

5. Cash and cash equivalents

	<u>03/31/2019</u>	<u>12/31/2018</u>
Cash and banks	421	22
Short-term investments	631,465	362,061
	<u>631,886</u>	<u>362,083</u>

Short-term investments are highly liquid and readily convertible into a known cash amount.

The current remuneration of Company's short-term investments is equivalent to approximately 100% of CDI. The Company investments were allocated to Bank Deposit Certificates (CDBs) and investment funds remunerated by reference to the Interbank Deposit Certificate (CDI).

6. Accounts receivable

	<u>03/31/2019</u>	<u>12/31/2018</u>
Petróleo Brasileiro S.A - Petrobrás	835,268	804,273
	<u>835,268</u>	<u>804,273</u>

Company receivables arise from Gas Transportation Agreements (GTAs) entered into with Petrobras. There are no overdue amounts receivable at March 31, 2019 and December 31, 2018.

7. Restricted bank deposits

The balance of R\$14,721, at March 31, 2019 (R\$14,595 at December 31, 2018) refers to savings account held with Banco do Brasil to cover environmental compensations and will be used as required by environmental bodies. Such deposits should be linked to savings accounts due to the significant impacts caused by the construction of gas pipelines GASAN II, GASPAL II and ECOMP in Guararema, State of São Paulo, and follow the provisions of Federal Law No. 9985/2000, which constituted the National System of Units of Conservation – SNUC.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E)

Description	12/31/2018			03/31/2019		
	Cost	Accumulated depreciation	Residual balance	Additions	Depreciation	Residual balance
Construction in progress	78,676	-	78,676	6,174	-	84,850
Leasehold improvements	4,813	(596)	4,217	-	(119)	4,098
Environmental constraints	148,839	(25,478)	123,361	-	(1,267)	122,094
Equipment and other assets	11,820,464	(3,419,288)	8,401,176	2,220	(106,496)	8,296,900
	12,052,792	(3,445,362)	8,607,430	8,394	(107,882)	8,507,942

The balance of construction in progress comprises costs with construction, maintenance and repair of gas pipelines (provided these are related to the replacement of parts and equipment or to meeting regulatory requirements), compressor stations/services, points of delivery, Stress Corrosion Cracking (SCC) Integrity Management Plan for Gas Pipelines and repair of the gas pipeline tunnel of GASDUC III.

Capitalized borrowing costs

During the three-month period ended March 31, 2019 and the year ended December 31, 2018, there was no capitalization of interest on financing for construction projects in the Company's property, plant and equipment.

Useful life of assets

Depreciation is calculated on a straight-line basis over the estimated useful life of assets, as follows:

Buildings and improvements – from 16 to 30 years
 Leasehold improvements – 10 to 30 years
 Gas pipelines, equipment and other items – up to 30 years
 Environmental constraints – up to 30 years

The residual value and useful life of the assets as well as the depreciation methods used are reviewed at year-end, and adjusted prospectively, when applicable.

The NTS's gas pipelines network comprises the following extensions:

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E) (Continued)

GASTAU

Gas Pipeline Caraguatatuba-Taubaté (GASTAU), which is 98 km long and 28 inches in diameter, interconnects the Monteiro Lobato Gas Processing Unit (UTGCA), in Caraguatatuba, on the north coast of São Paulo, to Taubaté, a city in the Middle Paraíba Region, to Campinas-Rio Gas Pipeline and the rest of the Southeast network.

GASDUC III

Cabiúnas-REDUC Gas Pipeline (GASDUC III), which is 180 km long and 38 inches in diameter is the gas pipeline with the greatest diameter in South America and has the highest transportation capacity (40 million cbm/day) among the Brazilian gas pipelines.

GASPAJ

Paulínia-Jacutinga Gas Pipeline (GASPAJ), which is 93 km long and 14 inches in diameter, has the purpose to meet the natural gas demand of the South region of the State of Minas Gerais. The gas pipeline originates in the city of Paulínia/SP, where gas pipelines Paulínia-Jacutinga, Campinas-Rio (GASCAR), REPLAN-Guararema of Gas Pipeline Bolívia Brasil (GASBOL) interconnect and where the Point of Delivery REPLAN is located.

SOUTHEAST NETWORK

The Southeast Network comprises five gas pipelines and two branches:

GASAN

RECAP-RPBC Gas Pipeline (GASAN), which is 41.6 km long and 12 inches in diameter interconnects the municipality of Capuava/SP to the municipality of Cubatão/SP.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E) (Continued)

GASCAR

Campinas-Rio Gas Pipeline (GASCAR), which is 453 km long and 28 inches in diameter, has the purpose of increasing the capacity of Bolivian gas flow to Rio de Janeiro. The gas pipeline starts in the Planalto Refinery (REPLAN), in the city of Paulínia/SP, and goes through the municipality of Japeri/RJ, where it interconnects the gas pipelines GASVOL and GASJAP, both in the state of Rio de Janeiro.

GASPAL

ESVOL-RECAP Gas Pipeline (GASPAL), which is 325.5 km long and 22 inches in diameter, starts in the municipality of Pirai/RJ and ends in the municipality of Mauá/SP.

GASVOL

REDUC-ESVOL Gas Pipeline (GASVOL), which is 95 km long and 18 inches in diameter, starts in the municipality of Duque de Caxias/RJ and ends in the municipality of Volta Redonda/RJ and also has a 5.5km-long branch within the municipality of Volta Redonda/RJ.

GASBEL I

Rio de Janeiro-Belo Horizonte I Gas Pipeline (GASBEL I), which is 357 km long and 16 inches in diameter, starts in the municipality of Duque de Caxias/RJ and ends in Gabriel Passos Refinery, in the city of Betim/MG.

Campos Elíseos Branch (16 inches)

The Campos Elíseos Branch, which is 2.7 km long and 16 inches in diameter, is located in the municipality of Duque de Caxias/RJ.

SOUTHEAST NETWORK II

Southeast Network II comprises the following gas pipelines:

GASJAP

JAPERI-REDUC Gas Pipeline (GASJAP), which is 45 km long and 28 inches in diameter, starts in the municipality of Japeri/RJ and ends in the municipality of Duque de Caxias/RJ, interconnecting the Caxias Hub to the Campinas-Rio Gas Pipeline (GASCAR). The Gas Pipeline has a Compressor Station in Campos Elíseos.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

8. Property, plant and equipment (PP&E) (Continued)

GASAN II

RECAP-RPBC Gas Pipeline (GASAN II), which is 39 km long and 22 inches in diameter, starts in the municipality of Mauá/SP and ends in the municipality of São Bernardo do Campo, and can extend, along with GASPAL II, the natural gas transportation capacity from the Guararema-RPBC system.

GASPAL II

Guararema-Mauá Gas Pipeline (GASPAL II), which is 54 km long and 22 inches in diameter, starts in the municipality of Guararema/SP and ends in the municipality of Mauá, and can extend, along with GASAN II, the natural gas transportation capacity from the Guararema-RPBC system.

GASBEL II

Rio de Janeiro-Belo Horizonte II Gas Pipeline (GASBEL II), which is 267 km long and 18 inches in diameter, starts in the municipality of Volta Redonda/RJ and ends in the municipality of Queluzito/MG, extended the natural gas offer to the state of Minas Gerais, especially in the metropolitan area of Belo Horizonte and Vale do Aço.

Impairment of assets

Management annually reviews events or changes in economic, operating, or technological circumstances of its assets to assess whether there are any preliminary indications of deterioration or impairment. No PP&E impairment indicators were identified for the three-month period ended March 31, 2019 and the year ended December 31, 2018.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

9. Trade accounts payable

	<u>03/31/2019</u>	<u>12/31/2018</u>
Petróleo Brasileiro S.A.– Petrobras	115,869	100,052
Petróleo Transportes S.A.– Transpetro	24,248	24,181
Chubb Seguros Brasil S.A.	-	6116
Alfredo A Possebon Filho & Cia LTDA	-	3,061
Rosenbra Engenharia Brasil LTDA	-	3,446
McKinsey & Company Inc do Brasil Consult	-	2,329
Intech Engenharia LTDA	1,626	1,740
Exterran	885	944
Enerflex/Geogás	1,101	1,102
AIG Seguros Brasil	209	828
XL Seguros Brasil S.A.	128	512
Construtora Biapo LTDA	823	767
SAP Brasil LTDA	747	-
Gascat Industria e Comercio	-	522
Transportadora Associada de Gás	114	114
Consulting services and other contracted services	1,369	3,100
Other trade accounts payable	5,603	6,084
	<u>152,722</u>	<u>154,898</u>

10. Debentures payable

	<u>Interest rate</u>	<u>Maturity</u>	<u>2019</u>	<u>2018</u>
Current				
Charges – second-issue debentures	109% CDI	2023	148,587	61,756
Funding costs	-	-	(1,947)	(1,945)
Total current			<u>146,640</u>	<u>59,811</u>
Noncurrent				
Principal – second-issue debentures	109% CDI	2023	5,200,000	5,200,000
Funding costs	-	-	(6,165)	(6,646)
Total noncurrent			<u>5,193,835</u>	<u>5,193,354</u>
Total			<u>5,340,475</u>	<u>5,253,165</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

10. Debentures payable (Continued)

On April 20, 2018, the Company's Special General Meeting (SGM) approved the second issue of unprivileged unsecured non-convertible debentures in a single series, subject to a public distribution offering and restricted placement efforts, under the terms of CVM Rule No. 476 and other legal and regulatory provisions, in the total amount of R\$5,200,000 at the par value of R\$10,000.00.

The second issue of debentures was subject to a firm guarantee by Banco Itaú BBA S.A, BB – Banco de Investimento S.A and Banco Bradesco BBI S.A.

On April 25, 2018, debentures were issued at the amount approved at the Special General Meeting held on April 20, 2018 and paid up on May 15, 2018. The debentures bear interest of 109.00% of the accumulated variation of the CDI Rate, with payment of interest every six months, in April and October. They do not have interim amortizations and mature on April 25, 2023, without debt rescheduling clauses or automatic renewal.

The debentures have covenants that require the Company to comply with the following financial ratios, calculated on a quarterly basis:

- (a) Financial ratio resulting from the division of the Net Financial Debt by the EBITDA shall be equal to or less than 3.0 times; or
- (b) Financial ratio resulting from the division of the EBITDA by the Net Financial Debt shall be equal to or less than 1.5 time;

At the reporting date of the quarterly information ended March 31, 2019, the Company determined both indices and concluded that the covenants were complied with.

Payments and amortization of funding costs are as follows:

<u>Year</u>	<u>Principal</u>	<u>Funding costs</u>
2019	-	1,460
2020	-	1,947
2021	-	1,947
2022	-	1,947
2023	5,200,000	811
	<u>5,200,000</u>	<u>8,112</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

11. Transactions with related parties

a) Operations between legal entities

	Petrobras	ITAUSA	Transpetro	TAG	03/31/2019
P&L					
Gross service revenue	1,324,517	-	-	-	1,324,517
Cost with gas pipeline operation and maintenance	-	-	(60,260)	-	(60,260)
Other operating costs/expenses	(56,205)	-	-	-	(56,205)
	<u>1,268,312</u>	<u>-</u>	<u>(60,260)</u>	<u>-</u>	<u>1,208,052</u>
Assets					
Accounts receivable	835,268	-	-	-	835,268
Other accounts receivable	23,956	-	-	-	23,956
	<u>859,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>859,224</u>
Liabilities					
Trade accounts payable	(115,869)	-	(24,248)	(114)	(140,231)
	<u>(115,869)</u>	<u>-</u>	<u>(24,248)</u>	<u>(114)</u>	<u>(140,231)</u>

	FIP	Petrobras	ITAUSA	Transpetro	Transp. Associada de Gás	03/31/2018
P&L						
Gross service revenue	-	1,197,842	-	-	-	1,197,842
Cost with gas pipeline operation and maintenance	-	-	-	(56,814)	-	(56,814)
Other operating costs	-	(64,272)	-	-	(1,497)	(65,769)
Monetary gains (losses), net	-	-	-	-	-	-
Finance costs, net	(121,753)	-	(11,310)	-	-	(133,063)
	<u>(121,753)</u>	<u>1,133,570</u>	<u>(11,310)</u>	<u>(56,814)</u>	<u>(1,497)</u>	<u>942,196</u>
Assets						
Accounts receivable	-	804,273	-	-	-	804,273
Other accounts receivable	-	17,851	-	-	-	17,851
	<u>-</u>	<u>822,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>822,124</u>
Liabilities						
Suppliers linked to the operation and maintenance of gas pipelines	-	(100,052)	-	(24,181)	-	(124,233)
Dividends and interest on equity	(14,009)	(1,446)	(1,106)	-	-	(16,561)
	<u>(14,009)</u>	<u>(101,498)</u>	<u>(1,106)</u>	<u>(24,181)</u>	<u>-</u>	<u>(140,794)</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

11. Transactions with related parties (Continued)

a) Operations between legal entities (Continued)

For the three-month periods ended March 31, 2019 and 2018, the Company entered into transactions with shareholders and other related parties, as described below:

- I) Nova Infraestrutura Fundo de Investimento em Participações Multiestratégia – FIP – At March 31, 2019 and 2018, the transactions carried out with FIP refer to the amount belonging to FIP in relation to the total amount of the Company's first-issue debentures, as well as to the remuneration attributed to said amount of debentures held by the related party. As described in Note 10, on May 15, 2018, the Company early redeemed its debentures issued under the terms of the "Private Instrument of Indenture for the Issuance of Non-convertible Debentures, in a Single Series, with Security Interest, First Issued by NTS".
- II) Petrobras - At March 31, 2019 and 2018, transactions with Petrobras refer to Company's revenues arising from Natural Gas Transportation Agreements, whose object is the transportation of natural gas, as well as to the receivables maturing in 2018 and 2019. The terms of the agreements were defined by the parties involved, billing occurs up to the 7th business day of the month following the date when the service was rendered and the due date will be the 10th day of the second month, also after service rendering. Payment must be made by bank transfer, in case of delay or non-payment, there will be (i) a 2% late payment fine, (ii) monetary restatement calculated in accordance with the General Market Price Index (IGPM/FGV) and (iii) simple late payment interest (100% CDI), calculated from the day following the due date. It is worth mentioning that transportation tariffs are adjusted every twelve months by reference to the IGPM/FGV. Also in relation to Petrobras, the Company recognized in 2019 and 2018 provisions for payment for the use and sharing of gas pipeline rights-of-way and payments related to the difference between the revenue arising from the transportation tariffs provided for in the Gas Transportation Agreements and the revenue of such agreements that were taken into consideration for purposes of the NTS sale operation.
- III) ITAUSA - At March 31, 2019 and 2018, the transactions carried out with ITAUSA refer to the amount belonging to ITAUSA in relation to the total amount of the Company's first issued debentures, as well as to the remuneration attributed to said amount of debentures held by the related party. The additional transaction corresponds to interest on equity payable to ITAUSA as a Company shareholder. As described in Note 10, on May 15, 2018, the Company early redeemed its debentures issued under the terms of the "Private Instrument of Indenture for the Issuance of Non-convertible Debentures, in a Single Series, with Security Interest, First Issued by NTS".

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

11. Transactions with related parties (Continued)

a) Operations between legal entities (Continued)

- IV) Transpetro – At March 31, 2019 and 2018, the transaction with Transpetro refers to the services for the operation and maintenance of the gas pipeline network and other Company's operating facilities, under the Service Agreement for Gas Transportation Technical Support entered into by and between the parties. The terms of these agreements were defined by the parties involved, payments will be made monthly up to 30 days from the date the service was rendered. There will be fines of 4% per month on the billed amount in case of late payment. It is worth mentioning that the price is adjusted every 12 months and is based on the adjustment of the IGPM and IPCA. The portion recorded under liabilities arises from the obligations of payments maturing in 2019, due by the Company to Transpetro for the services performed.
- V) Transportadora Associada de Gás - TAG – At March 31, 2018, the Company recorded expenses with TAG arising from the agreement to provide management and advisory services related to the transportation of natural gas. This transaction was entered into as agreed between the parties. Services rendered are measured monthly and, consequently, billing is also issued monthly. Payments were made through bank payment forms maturing within 30 days from the date of measurement. Prices are adjusted annually by reference to the IGPM. The agreement with the related party was terminated in the first quarter of 2018.
- VI) Operations with key management personnel
- The Company offers its managers the following benefits: health care, life insurance, private pension plans and meal allowance, presented in Short-term benefits. The benefits are partially paid for by their managers and are recorded as expenses when incurred.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

11. Transactions with related parties (Continued)

VI) Operations with key management personnel (Continued)

The amounts related to the compensation and benefits of key management personnel, represented by its officers, are as follows:

	<u>03/31/2019</u>	<u>12/31/2018</u>
Management compensation	1,317	11,016
Short-term benefits	<u>242</u>	<u>1,002</u>
	<u>1,559</u>	<u>12,018</u>

12. Taxes

12.1. Current taxes

	<u>Current assets</u>		<u>Noncurrent assets</u>		<u>Current liabilities</u>	
	<u>03/31/2019</u>	<u>12/31/2018</u>	<u>03/31/2019</u>	<u>12/31/2018</u>	<u>03/31/2019</u>	<u>12/31/2018</u>
Income tax	422	-	-	-	(82,429)	(77,225)
Social contribution tax (a)	152	-	-	-	(31,989)	(34,813)
PIS/COFINS (a)	-	-	8,465	8,411	(30,371)	(31,832)
ICMS	-	-	-	-	(23,382)	(18,550)
ISS	-	-	-	-	(2,886)	(1,964)
IRRF	98	98	-	-	(2,188)	(1,081)
Other	-	-	-	-	(1,822)	(2,146)
	<u>672</u>	<u>98</u>	<u>8,465</u>	<u>8,411</u>	<u>(175,067)</u>	<u>(167,611)</u>

a) The amounts recorded under noncurrent assets refer to the following tax credits: Contribution Tax on Gross Revenue for Social Integration Program (PIS) and for Social Security Financing (COFINS), which have been the subject of requests for refund filed with the Brazilian IRS and await approval. These are presented in the long term in view of the lack of present facts that indicate receipt of these funds over the next 12 months.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

12. Taxes (Continued)

12.2. Deferred taxes

a) Breakdown of deferred income and social contribution taxes

	Base at 03/31/2019	Deferred IR and CSLL balance at 34%	Base at 12/31/2018	Deferred IR and CSLL balance at 34%
Deferred tax assets				
Provision for contingencies and other	14,911	5,070	13,059	4,440
Provision – expenses with environmental compensation	30,321	10,309	32,014	10,885
Provision for bonus	7,439	2,530	12,101	4,114
Other	-	-	2,116	719
		17,909		20,158
Deferred tax liabilities				
PP&E – Difference between tax depreciation rate vs. corporate depreciation rate	(3,064,825)	(1,042,041)	(2,772,536)	(942,662)
Deposit not yet under <i>res judicata</i>	-	-	(2,084)	(708)
		(1,042,041)	-	(943,370)
Balance of deferred taxes, net		(1,024,132)		(923,212)

Income and social contribution tax loss carryforwards may be carried indefinitely according to the tax legislation in force.

The amounts of deferred tax liabilities on PP&E refer to tax depreciation of the gas pipelines network and other Company facilities.

	2019	2020	2021	Total
Recoverability of the deferred tax asset	7,684	5,155	5,070	17,909

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

12. Taxes (Continued)

12.3. Reconciliation of income and social contribution taxes

	<u>03/31/2019</u>	<u>03/31/2018</u>
Income before income and social contribution taxes	803,524	671,598
Income and social contribution taxes at statutory rate (34%)	<u>(273,198)</u>	<u>(228,343)</u>
	530,326	443,255
Adjustments to determine the effective rate:		
Permanent exclusions, net	(15,691)	(29,075)
Temporary exclusions, net	(296,824)	(307,649)
Additions	6,211	5,220
(+ Provision for bonus)	2,782	3,911
(+ Provision for environmental compensation)	586	364
(+ Other)	2,843	945
Exclusions	(303,035)	(312,869)
(- Tax depreciation x corporate depreciation)	(292,289)	(304,566)
(- Bonus)	(7,023)	(8,097)
(- Provision for environmental compensation)	(3,723)	-
(- Other)	-	(206)
Adjusted income and social contribution tax base	<u>491,009</u>	<u>334,874</u>
Income and social contribution taxes	(166,681)	(113,398)
Discount due to sponsorships (Rouanet Law)	1,981	1,500
Current income and social contribution taxes	(164,700)	(111,898)
Deferred income and social contribution taxes	<u>(100,921)</u>	<u>(104,601)</u>
	(265,621)	(216,499)
Effective IR and CS rate	33.06%	32.24%

13. Provision for environmental compensation and environmental constraints

13.1 Provision for environmental compensation

Refers to amounts accrued totaling R\$30,321 (R\$29,849 at December 31, 2018), based on Federal Law No. 9985/2000, which constitutes the National System of Units of Conservation – SNUC, the purpose of which is to guarantee the preservation of nature and sustainable development from natural resources that will be spent as decided by the Environmental Foundation (FATMA) and the Prosecution Office.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

13. Provision for environmental compensation and environmental constraints (Continued)

13.2 Provision for environmental constraints

The balance recorded amounting to R\$65,761 (R\$69,484 at December 31, 2018) refers to environmental constraints required by environmental control, monitoring and inspection bodies, at the federal and state levels, due to the issuance of preliminary licenses for the installation and operation of ventures and construction of the Company's gas pipelines network, under the terms of Resolution No. 237/1997 of the National Environment Council – CONAMA.

The Company treats the events related to these constraints in accordance with the principles of ICPC12 – Changes in Existing Decommissioning, Restoration and Similar Liabilities - and recognizes in the fixed asset the corresponding portion (initial measurement and future measurement). Expenses incurred to comply with the constraints are deducted from the accrued amount and the corresponding fixed asset is being amortized under the straight line method, due to the expiration of authorizations for the operation of gas pipelines linked to such constraints.

14. Equity

14.1 Capital

On August 6, 2018, the Company's shareholders approved unanimously and without qualifications the reduction of the Company's capital in the total amount of R\$693,699, based on a favorable opinion of the Supervisory Board, which deemed it excessive in relation to the Company activities. On December 11, 2018, with the approval of said reduction, the Company's capital was reduced from R\$2,312,329 to R\$1,618,630, upon return of capital to shareholders, in proportion to their corresponding equity interest held in the Company.

Due to the abovementioned capital reduction, at December 31, 2018, Company's fully subscribed and paid-up capital is represented by 2,312,328,578 common registered shares with a par value of R\$0.70 each (2,312,328,578 common registered shares with a par value of R\$1.00 each at December 31, 2017). The Company does not have authorized capital.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

14. Equity (Continued)

14.2 Capital transactions

Refers to the transactions with shareholders in their capacity as owners and the recognition of gains arising from unusual transactions regarding the termination of the finance lease between companies in the same economic group.

In October 2016, due to the corporate restructuring of companies Transportadora Associada de Gás (TAG), Nova Transportadora do Nordeste (NTN), the Company's corporate restructuring and the termination of the Malhas Consortium, Petrobras Leasing with NTS was reversed at October 25, 2016, generating gains of R\$1,360,199, recorded as capital transaction in Equity.

14.3 Income reserves

a) Legal reserve

The legal reserve is set up considering the limit of 20% of capital, through allocation of 5% of net income for the year, in compliance with article 193 of Brazilian Corporation Law. This reserve can only be used to absorb losses or increase capital.

The Company may be exempt from setting up this reserve if it achieves the limit of 20% of capital mentioned in the previous paragraph or the sum of its balance and the capital reserve exceeds 30% of the capital.

b) Interim dividends

In the period ended March 31, 2019, NTS distributed a total of R\$275,013 of interim dividends (R\$1,509,177 at December 31, 2018) and a total of R\$36,426 related to interest on equity (R\$233,900 at December 31, 2018), both approved by the Board of Directors at the General Meeting.

c) Dividends paid

At December 31, 2018, Company management proposed the distribution of additional dividends amounting to R\$190,432. Such amount was paid in the first quarter of 2019 along with interim dividends, after resolution and approval by the Board of Directors.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

14. Equity (Continued)

d) Earnings per share

The calculation of basic and diluted earnings per share for the three- and nine-month periods ended March 31, 2019 and 2018, is as follows:

	<u>03/31/2019</u>	<u>03/31/2018</u>
Net income for the period (in thousands of reais)	537,903	455,099
Total shares issued	<u>2,312,328,578</u>	<u>2,312,328,578</u>
Basic and diluted earnings per share - in reais	0.23	0.20

15. Net revenue

	<u>03/31/2019</u>	<u>03/31/2018</u>
Gross service revenue	1,324,517	1,197,842
Charges on services	(184,485)	(156,168)
Tariff adjustment	(56,205)	(51,246)
	<u>1,083,827</u>	<u>990,428</u>

16. Cost of services

	<u>03/31/2019</u>	<u>03/31/2018</u>
Depreciation and amortization	(96,063)	(97,077)
Contracted services, freight, rent and general charges	(5,885)	(6,150)
Operation and maintenance	(60,260)	(56,814)
Right-of-way	(13,766)	(13,025)
Electric power	(4,806)	(3,766)
Insurance coverage	(3,193)	(3,603)
ICMS on gas used in the system	(3,056)	(2,988)
Temporary support - TAG	-	(353)
Environmental costs	(163)	(457)
Other costs	(3,565)	(2,604)
	<u>(190,757)</u>	<u>(186,837)</u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

17. General and administrative expenses

	<u>03/31/2019</u>	<u>03/31/2018</u>
Personnel	(5,527)	(6,955)
Legal counsel	(119)	(255)
Auditing	-	(15)
Accounting advisory services	(306)	(271)
Consulting services	(79)	(191)
Sponsorships	(1,980)	(1,500)
Expenses with temporary support – TAG and Petrobrás	-	(1,144)
Office expenses and other	(2,173)	(1,360)
Other taxes	-	(102)
	<u>(10,184)</u>	<u>(11,793)</u>

18. Finance income (costs), net

	<u>03/31/2019</u>	<u>03/31/2018</u>
Finance income	10,646	8,672
Other finance income	300	5,283
Total finance income	<u>10,946</u>	<u>13,955</u>
Interest on financing and debt service costs	(87,663)	(133,063)
Fines and interest charges	(645)	(718)
Taxes on finance income (costs)	(28)	(3)
Other finance costs	(1,972)	(371)
Total finance costs	<u>(90,308)</u>	<u>(134,155)</u>
Finance income (costs), net	<u><u>(79,362)</u></u>	<u><u>(120,200)</u></u>

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

19. Legal proceedings and contingencies

19.1. Accrued legal proceedings

The Company recorded provisions in amounts deemed sufficient to cover any losses considered probable for which a reliable estimate can be made.

The amounts accrued are as follows:

	<u>03/31/2019</u>	<u>12/31/2018</u>
Noncurrent liabilities		
Labor	(2,685)	(2,685)
Tax	(5,540)	(5,540)
	<u>(8,225)</u>	<u>(8,225)</u>

19.2. Judicial deposits

	<u>03/31/2019</u>	<u>12/31/2018</u>
Noncurrent assets		
Labor	41	42
Tax	17,074	16,779
Civil	24	24
Sundry	19	-
	<u>17,158</u>	<u>16,845</u>

19.3. Non-accrued legal proceedings

Legal proceedings that constitute present obligations whose outflow of resources is not probable or whose amounts cannot be reliably estimated are not recognized, however, they are disclosed. Cases classified as remote are not the subject of any disclosures in this quarterly information.

Contingent liabilities estimated for legal proceedings at March 31, 2019 and December 31, 2018, the probability of loss of which is considered possible, are presented below:

	Civil	Tax		Total
	Legal	Administrative	Legal	
Balances at December 31, 2018	48	45,182	11,837	57,067
New cases	-	-	81	81
Monetary restatement	1	1,121	169	1,291
Balances at March 31, 2019	49	46,303	12,087	58,439

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

20. Financial instruments

The Company is engaged in transactions involving financial instruments. These instruments are managed through operational strategies and internal control intended for liquidity, profitability, and safety. Control policy consists of permanent monitoring of contracted conditions versus current market conditions.

At March 31, 2019, the Company had no derivative financial instruments to mitigate risks associated to its financial instruments and, during the years, did not make speculative investments. The results are consistent with the policies and strategies defined by Company management.

a) Liquidity risk

The Company uses its funds to cover operating liabilities and to pay creditors. The sources of funds plus the Company's financial position at March 31, 2019 are sufficient for the settlement of its short-term liabilities. Liquidity risk is managed by the Company by investing its cash in investment funds with daily liquidity and renegotiating (when necessary) the maturity date of its debts.

	Maturity of financial liabilities					
	2019	2020	2021	2022	2023	Total
Debtures	357,624	425,810	441,882	445,492	5,419,137	7,089,945
Trade accounts payable	152,722	-	-	-	-	152,722

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

20. Financial instruments (Continued)

b) Currency risk

Currency risk arises from the possibility of fluctuations in foreign exchange rates used by the Company for acquiring equipment or services and entering into financial instruments. At March 31, 2019, the Company does not have any financial assets or liabilities denominated in foreign currency or exposed to other currencies.

The Company adopts the policy of eliminating market risks, thus avoiding exposure to market value fluctuations, and operate only with instruments that enable risk control. At March 31, 2019, the Company had no outstanding derivative financial instruments.

c) Credit risk

As part of the Share Purchase and Sale Agreement entered into with the Company shareholders, described in Note 2.1, Petrobras and Banco Bradesco S.A. entered into a Restricted Accounts Management Agreement with a view to diversifying the credit risk of NTS in relation to the Gas Transportation Agreements (GTAs) executed with Petrobras, so that the Company does not depend exclusively on its sole customer to obtain its revenues.

Receivables pledged as collateral refer to deposits made in the restricted account, arising from the Natural Gas Purchase and Sale Agreement (GSAs), in which Petrobras acts as the seller. Deposits made in this account are intended to guarantee coverage of at least 120% of the expected amount of monthly Company billings, due by Petrobras under the GTAs, in addition to any taxes and charges that may be deducted by Banco Bradesco every month.

d) Sensitivity analysis

The following sensitivity analysis was performed for financial instruments subject to interest rate risk, considering that the exposure is the value of the debentures, described in Note 10, exposed to the Interbank Deposit Certificate (CDI) variation at March 31, 2019 (obtained from Focus - Market Report on the Bacen website) and that the possible and remote scenarios consider a risk variation of 25% and 50% of the loan amounts, respectively, in relation to this same date.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

20. Financial instruments (Continued)

e) Sensitivity analysis (Continued)

Instruments	Exposure	Risk	Probable (*) 7.00%	Possible (Variation 8.75%)	Remote (Variation 10.50%)
<u>Financial liabilities</u>					
Debentures (**)	5,340,475	CDI increase	(373,833)	(467,292)	(560,750)
<u>Financial assets</u>					
Cash and cash equivalents	631,886	CDI decrease	44,232	33,174	22,116

(*) Scenarios projected for a 12-month period.

(**) The amount of debentures and financial charges projected do not consider debt funding costs.

(a) The probable scenario was calculated considering a CDI rate of 7.00%, applicable to the floating portion of the debenture interest rate and to the balance of cash and cash equivalents as of March 31, 2019. The possible and remote scenarios considered fluctuations of 8.75% and 10.50%, respectively, in the CDI rate applied to the floating portion of the debentures (CDI increase) and to the balance of cash and cash equivalents (CDI decrease) for the next 12 months.

f) Estimate at fair value:

The table below sets forth the book values and fair values of the Company's financial instruments and other assets and liabilities, as well as its measurement level, as of March 31, 2019 and December 31, 2018.

Financial assets (current and noncurrent)	Level	03/31/2019		12/31/2018	
		Book value	Fair value	Book value	Fair value
Measured at amortized cost		1,482,547	1,482,547	1,198,802	1,198,802
Cash and cash equivalents	2	631,886	631,886	362,083	362,083
Accounts receivable	2	835,268	835,268	804,273	804,273
Other accounts receivable	2	672	672	17,851	17,851
Restricted bank deposits	2	14,721	14,721	14,595	14,595
Financial liabilities (current and noncurrent)					
Measured at amortized cost		5,493,197	5,493,197	5,408,063	5,408,063
Trade accounts payable	2	152,722	152,722	154,898	154,898
Debentures	2	5,340,475	5,340,475	5,253,165	5,253,165

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

20. Financial instruments (Continued)

e) Estimate at fair value:

The measurement level of each financial instrument corresponds to the following fair value hierarchy:

- Level 1 - for unadjusted prices quoted in active markets for instruments identical to those of the Company
- Level 2 - for observable information on assets or liabilities, whether directly or indirectly, except for quoted prices included in the previous level
- Level 3 – for non-observable data for the instrument in question

The Company understands that the fair value of trade accounts receivable is already reflected in their book value, since most of them mature in the short-term.

For financing classified and measured at amortized cost, the Company understands that since these are bilateral transactions and do not have an active market or other similar source with conditions comparable to those already presented and that may be used as a benchmark to determine their fair values, book values reflect the fair value of the transaction.

f) Changes in the cash flow liabilities of financing activities

As required by CPC 03, the Company states below the changes in the cash flow liabilities of financing activities, as recorded in its Statement of Cash Flows:

Description	Balance at December 31, 2018	Cash changes			Dividends and IOE approved	Non-cash changes		Balance at March 31, 2019
		Received/(Paid) – financing activities	Payment of interest	Funding costs		Interest expenses	Amortization of funding costs	
Debentures – 2 nd issue	5,253,165	-	-	-	-	86,831	479	5,340,475
Dividends and interest on equity	16,561	(518,431)	-	-	501,870	-	-	-
	5,269,726	(518,431)	-	-	501,870	86,831	479	5,340,475

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
Three-month period ended March 31, 2019
(In thousands of reais, unless otherwise stated)

21. Commitments

a) Contractual obligations

The following table sets forth the annual minimum required and non-cancelable future payments related to the contractual obligations assumed by the Company as of March 31, 2019:

Types of Agreements	2019	2020	2021	2022	Total
Office space rental	592	790	822	855	3,059
Telecom and printers	48	48	48	48	192
Compression services	11,379	1,313	-	-	12,692
Operation and maintenance of gas pipelines	199,153	265,538	265,538	88,513	818,742
Use and sharing of gas pipelines rights-of-way	41,302	57,437	59,792	62,184	220,715
Total	252,474	325,126	326,200	151,600	1,055,400

b) Guarantees

At March 31, 2019, the Company had a guarantee of R\$1,165 with Banco Bradesco to cover the guarantees required in the lease agreement of the Company's head office.

Nova Transportadora do Sudeste S.A. - NTS

Notes to quarterly information (Continued)
 Three-month period ended March 31, 2019
 (In thousands of reais, unless otherwise stated)

22. Insurance coverage

The Company has a policy of taking out insurance coverage for the assets subject to risks in amounts considered sufficient to cover possible losses, taking into account the nature of their activities.

The Company took out insurance coverage for operational risks, civil liability, civil and environmental liability, engineering risk, property risk and D&O liability.

The table below summarizes the insurance coverage types and their effective terms as contracted by the Company:

Insurance type	Effective term	Coverage
Operational risk (damage and business interruption)	10/03/2019	1,500,000,000
Civil liability	10/03/2019	400,000,000
Environmental risk	10/03/2019	300,000,000
D&O	10/03/2019	300,000,000
Engineering risk	01/01/2020	45,135,940
Engineering risk (Santa Eufrásia Farm)	08/19/2019	9,986,530
Civil liability (construction works)	08/19/2019	5,000,000
Property risk (office)	11/27/2018	10,000,000
Total		<u>2,570,122,470</u>

Insurance premiums paid related to the insurance policies are recorded under assets as prepaid expenses and are recorded proportionally to P&L as a result of the policies' effective terms.

The table below summarizes the amounts recorded at March 31, 2019 as prepaid expenses:

Description	03/31/2019	12/31/2018
Operating liability	4,669	6,847
Civil liability	926	1,367
Environmental liability	696	1,020
D&O	447	651
Engineering risk	86	111
Other - insurance	359	36
Total	<u>7,183</u>	<u>10,032</u>