

# Annual Report 2008



# Presentation

It is with great satisfaction that the Transportadora Brasileira Gasoduto Bolívia Brasil S.A. (TBG) hereby presents its 2008 Annual Report to its stakeholders – shareholders, customers, employees, communities, suppliers, governments, financial institutions and the sector's regulatory body..

TBG plays an extremely important role in Brazil's energy matrix, in which natural gas represents 9.3%<sup>1</sup> of all fuels used. It accounts for around 47%<sup>2</sup> of the natural gas supplied to the domestic market, representing an average volume of 30.9 m<sup>3</sup> per day, imported through TBG.

The Company's performance in 2008 and its involvement with the country as a natural gas pipeline transportation company, in compliance with the regulatory mark in force, reflects its harmony with its mission and a management based on operational reliability, efficiency, transparency and the valuation of human capital. The natural gas market's demands have led it to achieve maturity, further increasing its responsibilities in a challenging daily environment. The Company's activities are conducted in a safe, reliable and profitable manner. In this context, the Company presents its operational, administrative, financial, environmental and social results, confirming its commitment to sustainability, good governance and truth.

TBG's 2008 Annual Report is also available at its web site: [www.tbq.com.br](http://www.tbq.com.br).

1 Source: Ministry of Mines and Energy (MME) – Energy Matrix – 2007 – Brazil – [www.mme.gov.br](http://www.mme.gov.br)

2 Source: National Oil, Natural Gas and Bio-Fuels Agency (ANP) – An Overview of Natural Gas in Brazil – 2000-2008, adapted by TBG. Figure up-dated to November 2008.



**BOLIVIA**

TBG is the owner and operator, in Brazilian territory, of the 2.593 km of the Bolivia-Brazil Gas Pipeline, which passes through 137 municipalities in the States of Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul.



# BRAZIL

GROSSO DO SUL

CAMPO GRANDE

SÃO PAULO

RIO DE JANEIRO

PARANÁ

CAMPINAS

CURITIBA

SANTA CATARINA

FLORIANÓPOLIS

RIO GRANDE DO SUL

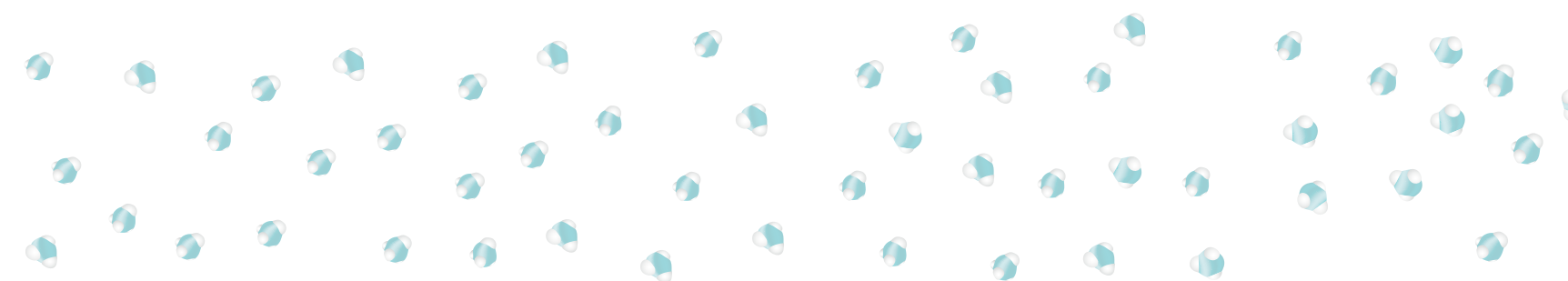
PORTO ALEGRE





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# Message from the Chairman of the Board of Directors

**T**he past's vision is confirmed in the future and, for TBG, the future is already a reality." It was on this note that we concluded our message in the 2007 annual report and started 2008 full of confidence regarding the prospects and challenges that lay before us.

In its tenth year of operation, TBG faced a scenario constituted by a strong domestic demand for natural gas, specially in the thermoelectric segment – which registered a record consumption of 14.5 million m<sup>3</sup> per day, corresponding to an average generation of 2.700 MW, compared to the 1.000 MW generated in 2007 – fully testing the company's ability to provide reliable natural gas transportation services. In 2008, TBG transported an average of 29.54 million m<sup>3</sup> per day, practically 100% of its installed capacity, and delivered a record volume of 33.1 million m<sup>3</sup> on January 10, 2008. It is important to emphasize that TBG achieved this result without delivery failures, while respecting the highest standards of safety and reliability, thus confirming its status as a solid and mature company whose natural gas transportation performance constitutes a benchmark in South America.

In this high demand for natural gas environment, TBG experienced an unexpected and important challenge – the emergency repair of the pipeline in Santa Catarina. As is common knowledge, the Vale do Itajaí region suffered a natural disaster in November, in which economic and social activities were compromised by extremely heavy rains. The gas pipeline was also damaged by big landslides. One of them – a particularly large one – ripped off the pipeline cover and ruptured the gas pipe, placing the company in a situation of force majeure and causing a reduction in the supply of gas to the states of Santa Catarina and Rio Grande do Sul.

Faced with this critical situation, the company reacted promptly and efficiently and in 16 days – a short period of time considering the adverse weather and logistical conditions – re-established the transportation of gas, with the invaluable support of Petrobras – Petróleo Brasileiro S.A., the State of Santa Catarina's Civil Defence Corps, regional city halls and other institutions. Despite the adverse conditions faced by the company, its staff's dedication and competence once again prevailed.

During the repair work TBG provided support for local communities by clearing landslides, opening up access routes, cleaning land, building temporary bridges and removing mud and debris.

Aware of its socio-environmental obligations, TBG set up a specific team to deal with the community located near the ruptured pipeline. It donated food, clothes,



*The TBG right-of way crossing  
agricultural land in the  
municipality of Miranda/MS.*





medicine and drinking water to the families and cleaned community installations, such as the Irmã Cecília Venturi municipal *crèche* in Gaspar municipality, that caters for 136 children and was badly damaged by debris and mud.

In the name of the TBG Board of Directors I wish to express my thanks to all those who contributed, directly or indirectly, to the solution of the problems caused by this force majeure event.

The "SOMOS" social responsibility program, which is in its second year, consolidated its first results. The company's commitment to social responsibility achieved recognition with the awarding of the "Destaque Atitude Sustentável 2008" ("Outstanding Sustainable Attitude") prize by Rio de Janeiro's Chamber of Commerce and Industry (CAERJ) for the best social responsibility program.

In 2008, TBG's operational activities resulted in a net profit of R\$271 million, approximately 30% more than in 2007. In this operational result one should highlight the R\$6.17 million reduction in non-depreciable expenditures on controllable items, in relation to the amount budgeted, demonstrating the effectiveness of the company's cost reduction policy. The company's results were significantly affected by the 32% devaluation of the real against the dollar (R\$1.77 to R\$2.34) that was responsible for the R\$71 million accounting loss recorded. Confirming TBG's financial resilience, despite this foreign exchange impact, the EBITDA, whose calculation excludes financial expenditures and revenues, corresponded to a profit of R\$598 million.

Given the existence of funds, dividends of R\$220 million were declared, payable out of profit reserves from previous years, which is the highest amount of dividends yet proposed by TBG's board. This amount corresponds to 42% of the dividends distributed by TBG since 2006, when the virtuous dividend payment cycle began.

In 2008 TBG, as an important driver of national economic development, paid R\$137 million in taxes and social contributions on revenues and profits and contracted for services that generated around 1.000 indirect jobs through its suppliers, 80% of which are domestic companies, thus privileging job creation in this country.

In 2008, TBG invested R\$141 million, allocating R\$52 million to the "Projeto Confiabilidade" (Reliability Project), under which additional compressors were installed in the Corumbá, Miranda and Anastácio compression stations in the state of Mato Grosso do Sul. The project will be completed with the installation of a new compression station in Paulínia (SP), due to come on stream in December 2009.

One should also highlight the project to expand the gas pipeline's southern section, budgeted at R\$250 million, that is part of the federal government's Growth Acceleration Program (PAC), and consists of a 5.2 million m<sup>3</sup> per day expansion in pipeline capacity between Paulínia (SP) and Araucária (PR) municipalities. The project will be completed in October 2010, with the installation of a new compression station in Capão Bonito (SP) and a third turbo-compressor in the Paulínia compression station.

TBG intends to invest around R\$570 million over the next three years, of which R\$300 million should be undertaken in 2009. This is greater than the sum of investments in 2006 and 2007 and involves an extremely diversified project portfolio, presenting its team with the new challenge of implementing these projects in accordance with the schedules and costs defined as critical for the company's business.

I wish to thank the TBG workforce for its indispensable support, and the commitment of its private shareholders to the company's performance.

Presenting this Annual Report, I wish to highlight that TBG is recognized as a natural gas transportation company that is strategic for the country, and its big challenge in 2009 will be to undertake its investment projects with an emphasis on operational reliability, cost reduction, and alignment with its shareholders' directives and the federal government's policy towards the gas and power sector.



**Maria das Graças Silva Foster**  
Chairman of the Board of Directors

“ TBG is recognized as a natural gas transportation company that is strategic for the country.”



## TBG IN NUMBERS

1  
Supervisory Control  
Center

15  
Compression Stations

2  
Pressure Reduction  
Stations

3  
Measurement Stations

3  
Operational  
Measurement Stations

5  
States crossed by the  
gas pipeline

41  
City Gate Stations

2,593  
Kilometers of Right  
of Way

137  
Municipalities and nearly  
five thousand properties  
crossed by the gas pipeline

540  
thousand tons: weight  
of the pipes

33.1  
million m<sup>3</sup> per day is a delivery  
record that was achieved on  
January 10, 2008

303,140  
HP is the level of installed  
power

# Profile

TBG is the owner and operator, in Brazil, of Latin America's biggest gas pipeline, located in the country's Midwestern, Southeastern and Southern regions. Its facilities begin on the Brazil-Bolivia border in the city of Corumbá/MS and it crosses 137 municipalities with quite different social, political and economic characteristics, until reaching the city of Canoas/RS.

TBG controls all the gas pipeline's operations 24 hours a day from the Control and Supervision Center – CSC, located at its head office in Rio de Janeiro. Besides the head office, company facilities are constituted by three regional offices, 15 compression stations, 41 city gate stations, three measurement stations, three operational measurement stations and two pressure reduction stations, that assure the transportation of natural gas along its 2,593 kilometers of pipeline in Brazil, which are distributed in the following states:

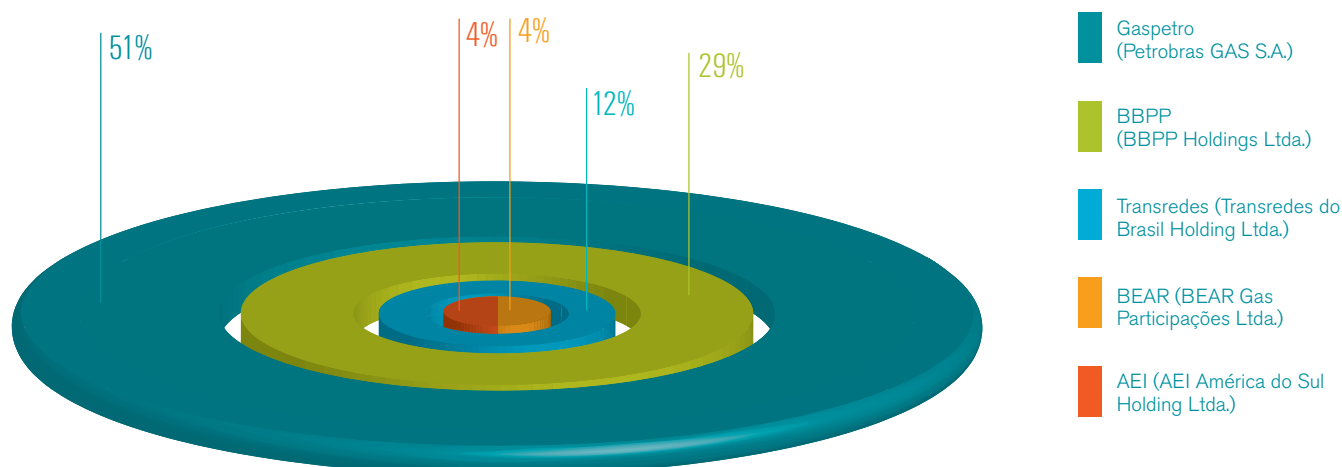
- Mato Grosso do Sul (717 Km);
- São Paulo (1038 Km);
- Paraná (207Km);
- Santa Catarina (447 Km);
- Rio Grande do Sul (184 Km).

In 2008, TBG celebrated its 11<sup>th</sup> birthday, thus consolidating its operational maturity. It transported a daily average of 29.54 million m<sup>3</sup> of natural gas, that represented more than 98% of its installed capacity of 30.08 million m<sup>3</sup> per day, and an 11.4% increase over 2007.

In terms of human resources, TBG ended the year with a total number of 265 employees.

The company, which is privately held, is the result of a partnership between Petrobras and international groups, and is controlled by Petrobras Gás S.A. – Gaspetro, which holds 51% of its capital. The remaining 49% are divided between the BBPP Holdings Ltda. consortium, composed of BG Group, El Paso and Total, with a 29% holding divided equally between them; Transredes (Transredes do Brasil Holding Ltda.), with a 12% holding; Bear (Bear Gás Participações Ltda., do Grupo Shell), with 4%, and AEI (AEI América do Sul Holding, do Grupo Ashmore), with 4%.

## TBG Shareholder Composition





# Landmarks

1997

- TBG founded on April 18;
- Beginning of the gas pipeline's construction.

2008

## 1<sup>st</sup> period (January to September 2008):

- Operation factor of 100% of its installed capacity of 30.08 million m<sup>3</sup> per day;
- On May 28, consequent on the Public Transportation Capacity Expansion Competition – CPAC – coordinated by the National Oil, Natural, Gas and Bio-Fuels Agency (ANP), contracts were signed with Petrobras to expand the gas pipeline's southern section.

1998

- Head office was inaugurated in Rio de Janeiro and regional management areas installed in Campo Grande and Campinas, effectively initiating its activities using professionals seconded by its partners.

1999

- Inauguration ceremony of the gas pipeline's northern section between Corumbá and Paulínia;
- Average volume delivered during the year: 1.0 million m<sup>3</sup> per day.

2000

- Inauguration ceremony of the gas pipeline's southern section between Paulínia and Araucária, as well as the installation of the Southern Regional Management Area;
- TBG obtains ISO 9001, ISO 14001 and BS 8800 certifications;
- Average volume delivered during the year: 5.9 million m<sup>3</sup> per day.

2001

- Average volume delivered during the year: 10.4 million m<sup>3</sup> per day.

2002

- Average volume delivered during the year: 11.9 million m<sup>3</sup> per day.

2008

## 2<sup>nd</sup> period (October until the end of 2008)

- Marked by a reduction in demand and thus in the average volume transported, due mainly to thermoelectric power plants' lower consumption of natural gas;
- A force majeure event that occurred in the state of Santa Catarina due to torrential rains causing the rupture of the pipeline in the municipality of Gaspar. TBG was successful in completing repairs ahead of schedule and reestablishing gas transportation in the region;
- Average volume delivered during the year: 29.5 million m<sup>3</sup> per day, with the establishment of a transportation record of 33.1 million m<sup>3</sup> per day on January 10;
- TBG's "SOMOS" Program received the "Destaque Atitude Sustentável" (Outstanding Sustainable Attitude) prize, awarded by the State of Rio de Janeiro's Chamber of Commerce and Industry (CAERJ) to the country's best social responsibility program;
- TBG was placed first in the Medium-Sized Stand category of the 4<sup>th</sup> edition of the Feira & Cia Estandesign fair, promoted by the magazine Feira & Cia, whose criteria were design, visual communication, technology, innovation and creativity;

### Average Daily Volume of Gas Delivered per Year



2003

- Eight new northern section compression stations came on stream, attaining the project's maximum capacity four years ahead of schedule;
- Average volume delivered during the year: 14.1 million m<sup>3</sup> per day.

2004

- 1<sup>st</sup> internal inspection of the gas pipeline, using instrumented PIG\* technology, along the Replan – Guararema (SP) section;
- Average volume delivered during the year: 19.9 million m<sup>3</sup> per day.

\* Equipment that maps the gas pipeline's mechanical conditions and indicates places where there is corrosion, reduction in thickness, dents and other problems, with precision.

2005

- Average volume delivered during the year: 22.8 million m<sup>3</sup> per day;
- Approval of the "Projeto Confiabilidade" (Reliability Project).

2006

- 1<sup>st</sup> selection process held and first employees hired;
- Average volume delivered during the year: 24.4 million m<sup>3</sup> per day, with a transportation record of 30.1 million m<sup>3</sup> per day established on December 14.

2007

- Commemoration of the 10<sup>th</sup> anniversary of TBG's foundation;
- Average volume delivered during the year: 26.5 million m<sup>3</sup> per day, with a transportation record of 33 million m<sup>3</sup> per day established on December 7.



*Right-of-way in Mato Grosso do Sul. The right-of-way is a 20 meter wide area of land that demarcates the gas pipeline route. The pipes are buried and protected at an average depth of one meter.*





# Corporate Governance

In accordance with its unceasing quest for corporate excellence, TBG's corporate governance practices are guided by a concern for transparency and respect for all stakeholders.

TBG's administration is based on the principles of ethics, transparency and corporate responsibility that translate into management practices that are strongly associated with its image with stakeholders. The adoption of good practices aims primarily at assuring shareholder control of management, through the actions of the Board of Directors and the Supervisory Council, Executive Board, Independent Auditors and the main agents of Corporate Governance.

The **Board of Directors** is composed of six members with a three-year mandate. The board, which meets on a monthly basis, establishes the general guiding principles of the business based on the strategic plan, approves the most important company matters and monitors the Executive Board and company results. Thirteen board meetings were held in 2008.

The **Supervisory Council** has three members who are elected on an annual basis by the shareholders at the Annual Shareholders Meeting. It meets monthly and supervises management actions and addresses other matters provided for in the Brazilian Corporation Law. The Supervisory Council met eleven times in 2008.

The **Executive Board** is composed of four officers, elected by the Board of Directors with a three year mandate, whose task is to manage the company. It is formed by the Chief Executive Officer (CEO), Chief Commercial Officer (CCO), Chief Financial Officer (CFO) and the Chief Maintenance and Operations Officer (CMOO).

The **Independent Auditor** is a governance agent indicated by the majority shareholder who is hired with the approval of the Board of Directors, and whose basic duty is to verify whether the financial statements correctly reflect the company's financial and equity position.

## Vision

According to the Strategic Plan, TBG's **Vision** is to:  
Be internationally recognized for excellence in the corporate management and operation of gas pipelines and be prepared to expand its transportation capacity when requested.

## Mission

Its **Mission** is to:  
Transport natural gas in a safe, reliable and profitable manner assuring the gas pipeline's integrity, maintaining the company's value for shareholders and improving its stakeholders' quality of life, while minimizing the impact of its activities on the environment.

## Management Policy

Its **Management Policy** is to:  
Ensure its stakeholders' satisfaction, by committing itself to improve the quality of life in the areas affected by the Bolivia-Brazil gas pipeline in Brazilian territory, while operating according to its values in a quest for corporate excellence.

## Values

- Ethics
- Cordiality
- Safety
- Professionalism
- Social Responsibility
- Environment

The Code of Ethics defines the principles, values and practices, that govern TBG's businesses and activities, and guides employees' decisions and attitudes regarding its different internal and external publics. The document, which is familiar to all employees, is available at the TBG web site and on its intranet.

In order to assess its corporate performance, that is part of the company's corporate governance, TBG has a system that periodically monitors its economic, financial, operational, environmental, safety and health indicators, among others, in order to assess its overall result. The results and indicators are made known to employees and periodically reported to the Board of Directors through the Monthly Corporate Performance Report (RMDE).

The main monthly monitoring indicators are presented below:



Sign showing the zero kilometer point of the Bolivia-Brazil Gas Pipeline on Brazilian soil, Corumbá/MS

Perspective*	Indicator	Periodicity	Unit
Shareholders	EBITDA (Earnings Before Interests, Taxes, Depreciation and Amortization)	Monthly	R\$ million
Shareholders	RoE (Return on Equity)	Six-monthly	%
Society, Customers and the Market	Customer Satisfaction Index (CSI)	Annual	Score
Society, Customers and the Market	Delivery Failures	Monthly	Unit
Society, Customers and the Market	Accidents with damage to the environment	Monthly	Unit
Internal Processes	Crompression System Reliability	Monthly	%
Internal Processes	Receival Failures	Monthly	Unit
Internal Processes	Frequency Rate of Accidents With Absence from Work	Monthly	Index
Internal Processes	Frequency Rate of Accidents Without Absence from Work	Monthly	Index
Internal Processes	Unmeasured Gas	Monthly	%
Workforce and Learning	Average number of training hours	Monthly	Hours

\* Based on the Company's Strategic Map



*Vegetation on the banks of  
the Tietê River, in São Paulo*





# Corporate Management

TBG, through its Integrated Management System, is constantly seeking to improve the company's operational performance and corporate image.

Since the year 2000, TBG has been using an Integrated Management System, which is an essential tool for supporting the Company's activities and to assure and improve its operational performance. The IMS is based on a description of strategic, operational and business support macro-processes and the application of concepts from international standards such as NBR ISO 9001:2000 (Quality Management System), NBR ISO 14.001:2004 (Environmental Management System) and OHSAS 18.001:1999 (Health and Occupational Safety Management System).

The system's structuring is based on a systemic vision of these macro-processes related to the certification scope of the pipeline transportation of natural gas, which describe the company's activities and routines, in order to enable them to be assessed in an unceasing quest to improve the organization's image and performance. The focus is on satisfying internal

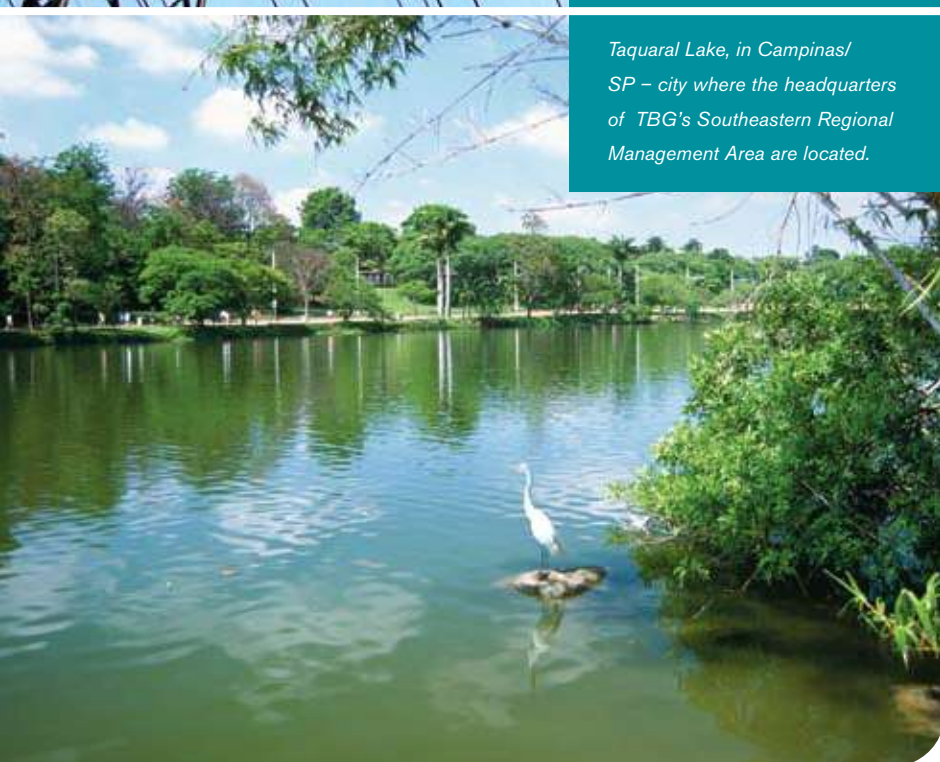
and external customers, promoting actions that seek to prevent and reduce losses and damage caused by occasional accidents involving its staff, or that impact the environment, as well optimizing the use of personnel resources, infrastructure and documentation.

The IMS is assessed by a certifying body on a six-monthly basis, regarding its pertinence to the Company's management policy, customer requirements, legal requirements and its conformity with the international standards adopted.

In order to improve competencies, the Company organized two training events, one in May and the other in June 2008, to train employees as IMS facilitators and internal auditors. Around 7% of the workforce were trained under this program and were selected from all areas of the Company in order to multiply the concepts' application. .



*The natural gas transported by TBG is used by thermal plants to generate power.*



*Taquaral Lake, in Campinas/ SP – city where the headquarters of TBG's Southeastern Regional Management Area are located.*

In March, the company adopted a new system of monthly IMS Critical Analysis meetings to monitor the corporate performance indicators. All decisions are documented in the IMS and action plans are recorded and documented in a computerized system, thus allowing the treatment, monitoring and recording of improvements as a whole.

The processes that set out the certification's scope are described and documented in procedures that are managed using the Integrated Electronic Procedure Standardization System (SINPEP), and focus on aspects related to occupational safety and health, the environment, pipeline integrity, quality and systems and equipment management and maintenance.

## OPERATIONAL PERFORMANCE

TBG's operational performance in the last quarter of 2008 was negatively affected by a force majeure event that occurred in the State of Santa Catarina's Vale do Itajaí. First of all we present a description of this event, followed by a detailed analysis of the Company's main operational indicators.

### Force majeure event in Santa Catarina

It rained constantly in the State of Santa Catarina between August and December 2008. Accumulated pluviometric precipitation in November exceeded 600 mm, compared to the 150 mm forecast. This atypical condition jeopardized ground stability, especially in the Vale do Itajaí region, causing several landslides and interrupting essential services such as the supply of water, electricity and natural gas and led the authorities to declare a state of emergency in the region.

As the Bolivia-Brazil gas pipeline crosses this region, it was also exposed to the same unpredictable land movements that culminated in its rupture in the municipality of Gaspar. On November 23, in the district of Belchior Alto, a large amount of debris, including

large trees, rocks, soil and mud descended the hillside at high speed, ripping off the gas pipeline's cover and exposing it to a direct hit by rocks which ruptured it, causing a gas leakage and expansion, followed by fire.

Immediately after the accident and as soon as climatic conditions permitted, TBG mobilized available resources to replace the damaged section. As land access routes had been destroyed, it was necessary to use helicopters to transport material and equipment as well as people. In order to clear the access routes, the company obtained the support of the Army's Construction Engineering Battalion based at Lajes, that is specialized in emergency infrastructure constructions such as bridges, roads and hillside containment.

In spite of all the difficulties encountered, it took only 16 days to repair the pipeline. Thus the delivery of natural gas to distributors in the States of Santa Catarina and Rio Grande do Sul was re-established in less than the 21 days initially forecasted.

At the same time, the company mobilized various work team in other places where there were geotechnical threats to the gas pipeline's right of way, undertaking emergency hillside stabilization works, removing soil from the pipeline, measuring the pipeline's depth and positioning, as well as performing surface and subsurface drainage of the right of way. These actions aimed at assuring that the gas pipeline's integrity was not jeopardized at any other points.

During the repairs TBG provided support for the Gaspar and Luis Alves communities by removing 25 landslides, opening up around 13 kilometers of access routes to their homes and cleaning up their land. Some TBG funds were allocated exclusively for cleaning roads, including the rebuilding of temporary bridges, cleaning up homes, as well as removing debris and mud from the region.

TBG set up a team specifically to cater to the community's needs, including a social assistant to assist people in the region affected by landslides in the areas close to where the pipeline had been ruptured. The helicopters rented by the Company to enable TBG professionals to access the ruptured pipeline area, also benefited the community, transporting people and their personal belongings to secure places. The Company also donated food, clothing, medicine and water to families affected by the event in the region and cleaned up the Irmã Cecilia Venturini municipal *crèche* that assists 136 children and was badly hit by landslide debris and mud.

About 100 families were visited in these regions and various meetings were held with community leaders, in order to keep them posted on the support provided by TBG, as well as to providing information to those living adjacent to areas where the pipeline repair procedures were being undertaken. We also received several calls from people using the Gas Line ("Linha do Gás") and, in some cases, company employees visited the places involved.

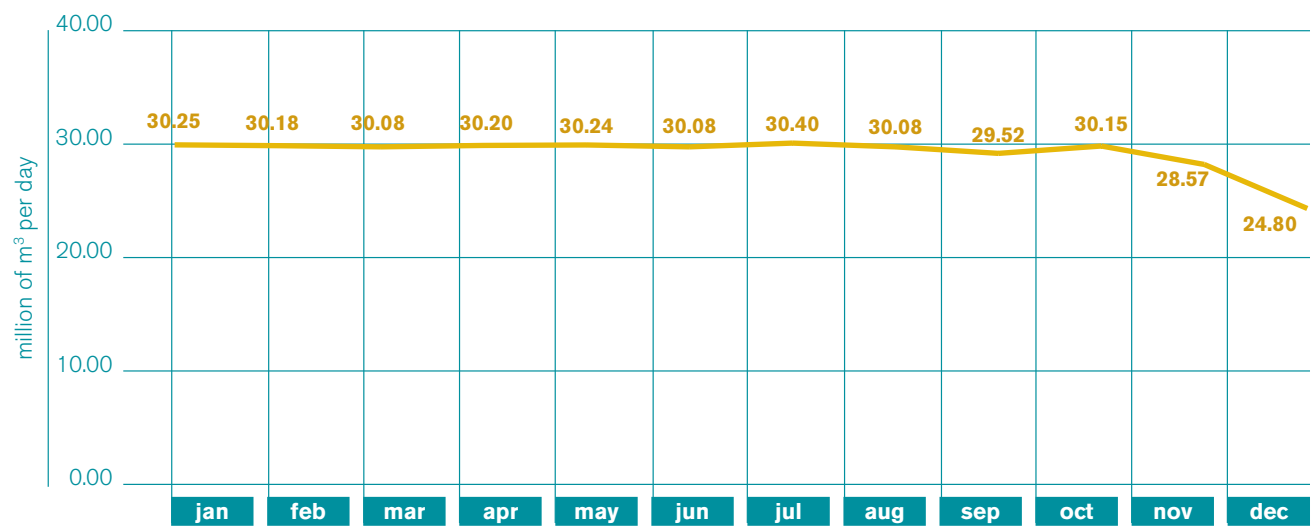
The reduction in the supply of gas consequently reduced TBG's revenues. As the event was one of force majeure, there are no consequences for TBG in terms of penalties. It should be mentioned that, as definitive repairs are still being performed (which has not affected the demand for Petrobras' natural gas in these regions), TBG maintains the condition of force majeure informed to Petrobras.

By completing the Gas Pipeline repair works, TBG resumed the supply of natural gas to the states of Santa Catarina and Rio Grande do Sul in the record time of only 16 days.

Main operational performance indicators

In 2008 TBG transported a total of 10.81 billion m³ of natural gas, which corresponds to a daily average of 29.54 million m³, an 11.4% increase over 2007. 97.8% of this total was composed of services rendered to Petrobras and the remaining 2.2% to BG that has a contract of 0.65 million m³ per day.

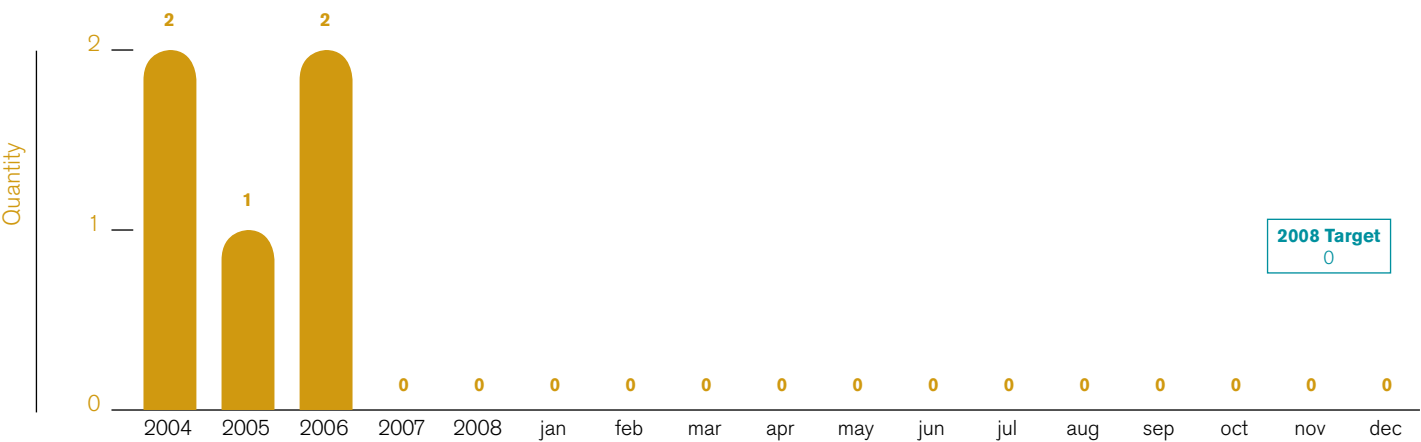
Average Daily Volume of Gas Delivered per Month – 2008



In 2008 TBG achieved its expected operational performance, as demonstrated by the following indicators:

- Delivery Failures;
- Unmeasured Gas (UMG);
- Gas for Use in the System (GUS);
- Compression System Reliability;
- Compression System Availability .

Delivery Failures





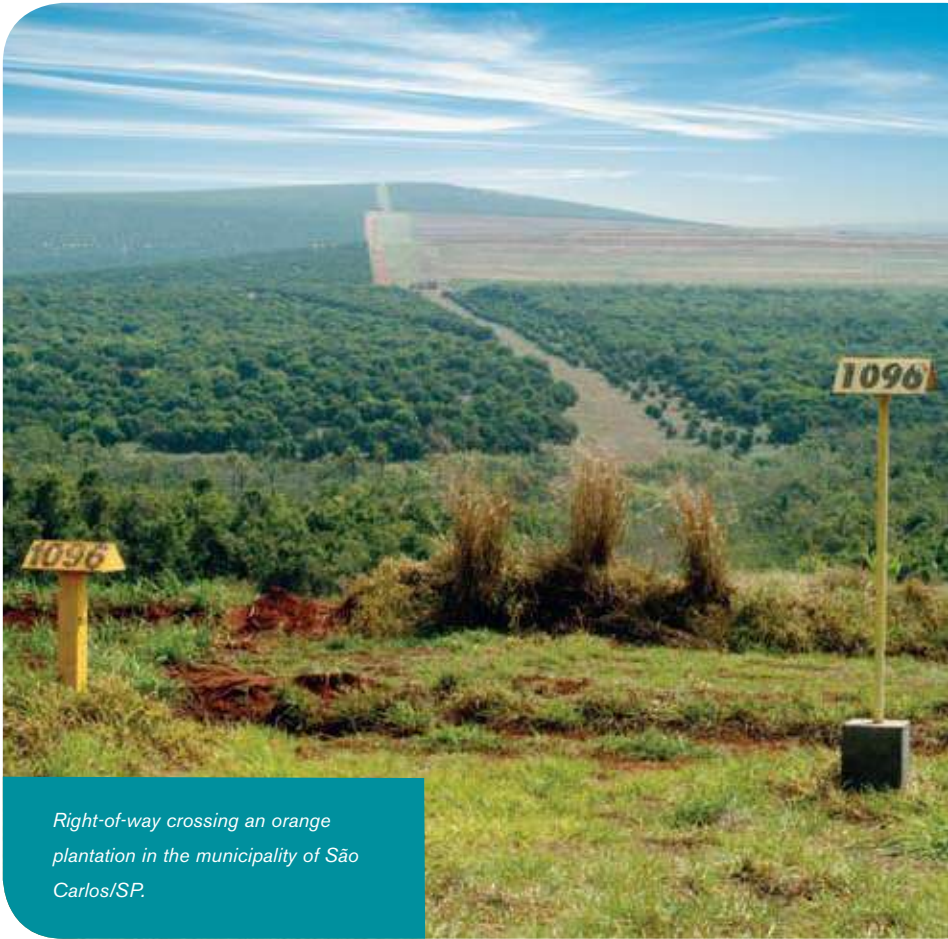
Delivery Failures

No delivery failures were recorded in 2008, due to operational and maintenance management that assured natural gas supply reliability.

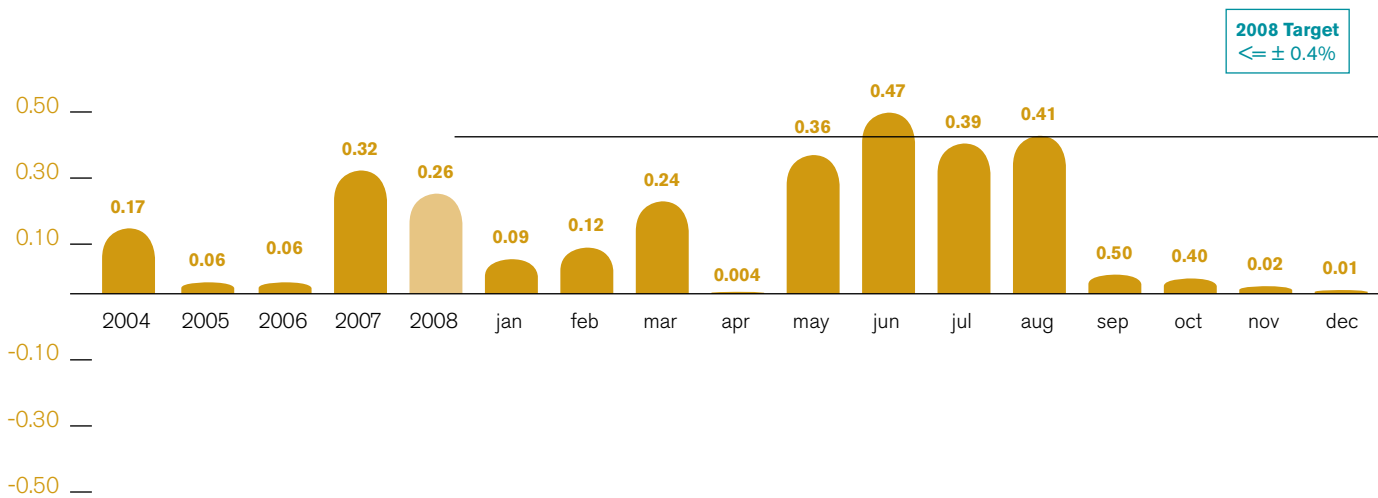
This indicator takes into account any supply interruption that may have an impact on customers

Natural gas supply failures did not occur, even with September’s reduction in supplies from Bolivia, due to the efficient control of the operation and monitoring of the shipper.

With the rupturing of the gas pipeline in November 2008, the provision of the service downstream from the affected area in Gaspar/SC was reduced. However, as the lack of availability was caused by a force majeure event, it was not characterized as a delivery failure.



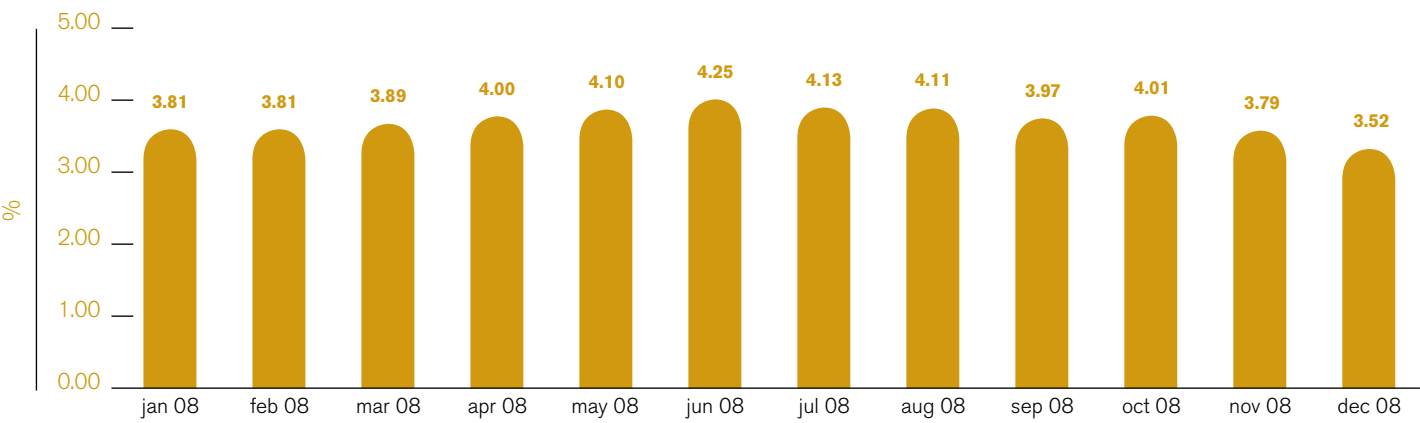
Unmeasured Gas (UMG)



Unmeasured Gas (UMG)

This indicator represents the difference between gas received and the sum total of gas delivered, internal consumption, operational losses and the variation in the stock of gas in the pipeline during the measurement period. It reflects the quality of TBG’s measurement system and in most cases was below the target of 0.4%, which is lower than the 0.5% figure established by international practices.

Gas for use in the system (GUS)

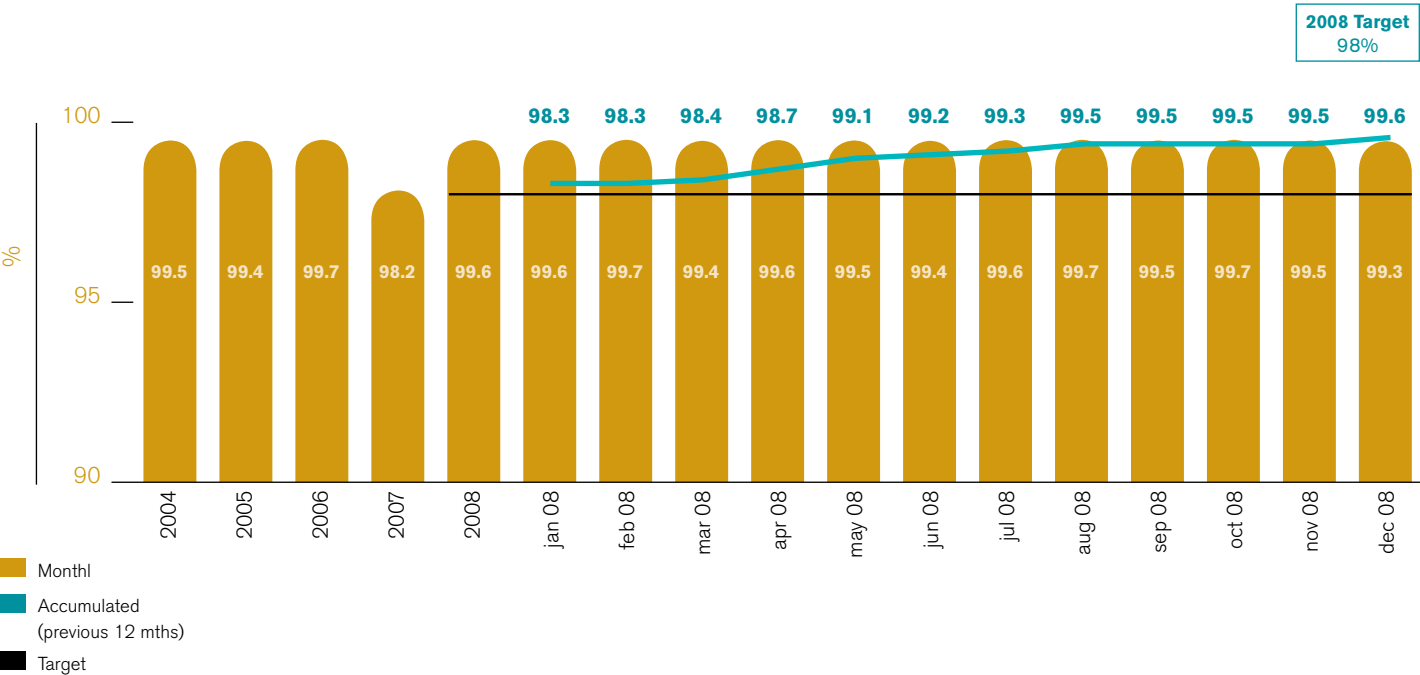


**2008 Target**  
22 to 25 MMm³/d ≤ 3.4%  
25 to 28 MMm³/d ≤ 3.9%  
28 to 30 MMm³/d ≤ 4.5%

Gas for use in the system (GUS)

Gas for use in the system is the gas consumed by TBG in its operations and varies according to the volume of natural gas transported. This indicator was within the limits established for 2008, due to daily operational planning and pipeline stock management, that led to an efficient use of transportation facilities and thus the optimization of its use as a fuel.

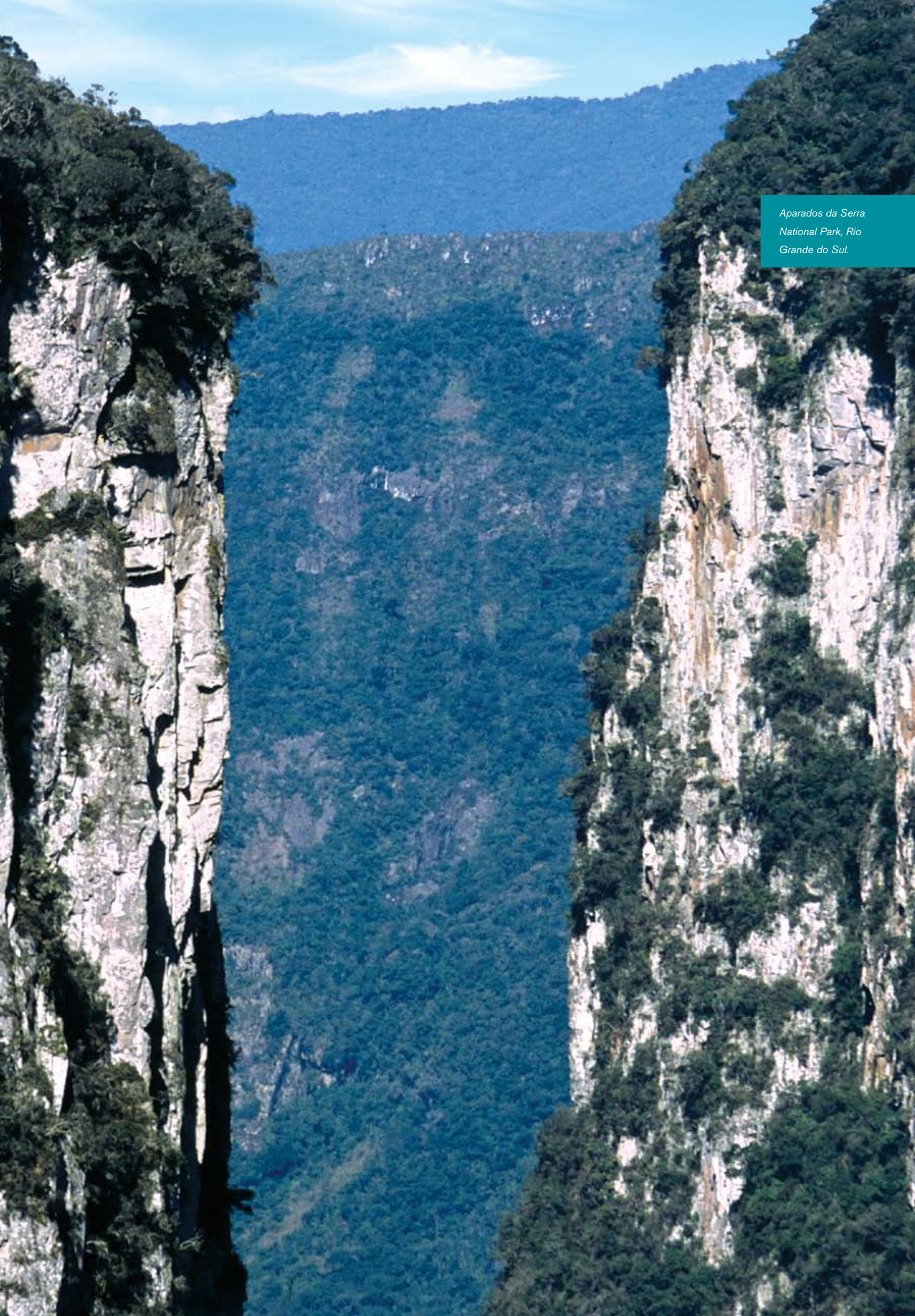
Compression System Reliability



Compression System Reliability

The compression system' reliability is measured in terms of the level of failures in these gas moving facilities – the higher the value of the indicator the lower the quantity of failures. The 98% target was fully attained, with an overall result of 99.6% in 2008, due to the execution of a preventive maintenance plan, prompt corrective interventions, as well as the real-time monitoring of the conditions of the turbines that activate the compressors.

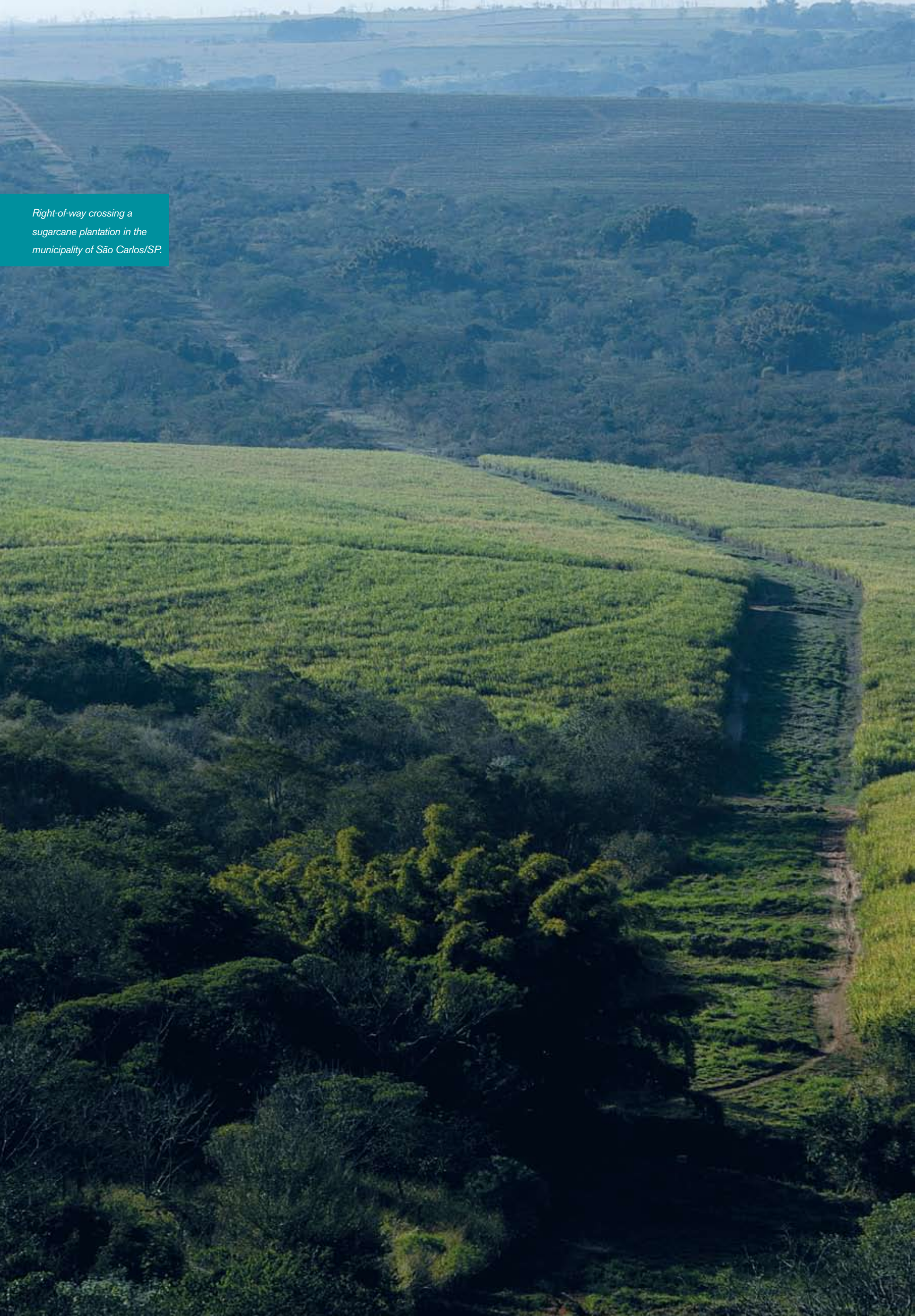




*Aparados da Serra  
National Park, Rio  
Grande do Sul.*

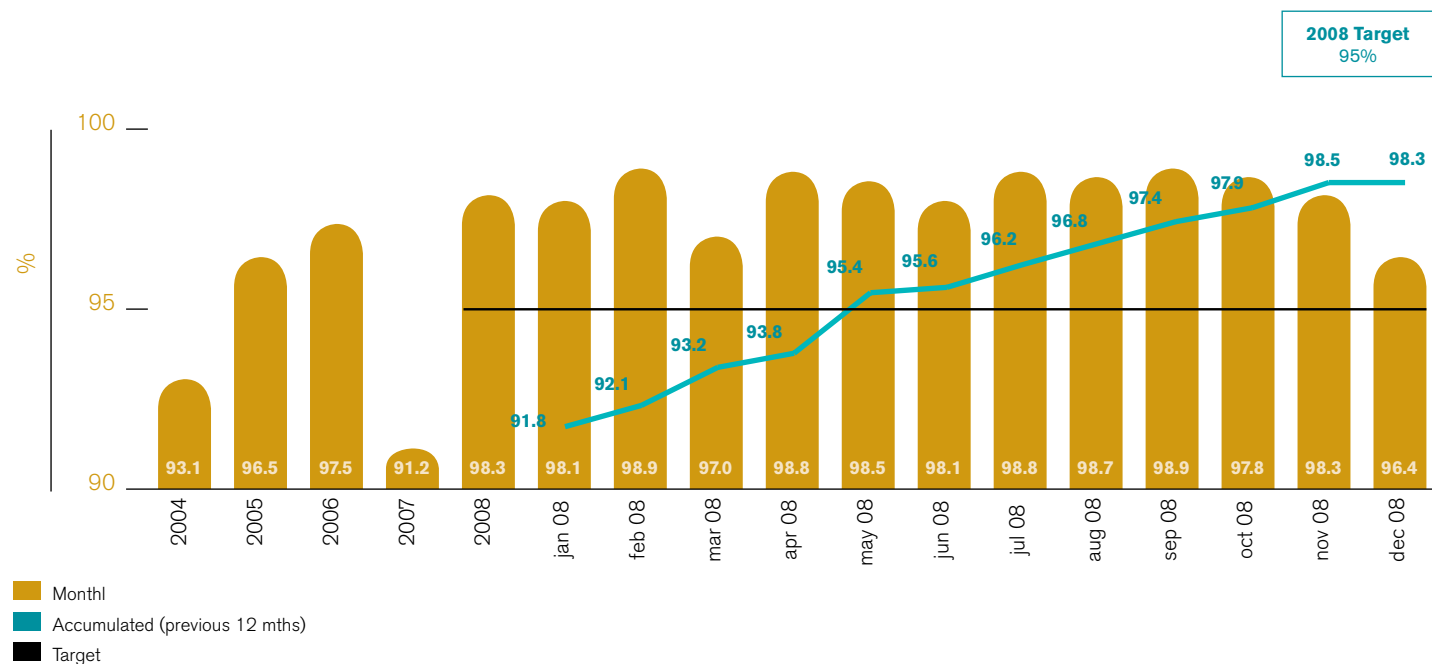


*Right-of-way crossing a sugarcane plantation in the municipality of São Carlos/SP.*





Compression System Availability



Compression System Availability

The compression system's availability is measured by the amount of time it is available to provide its services. The coordinated efforts of TBG's operations and maintenance teams, as well as the installation of a reserve turbo-compressor in the Corumbá and Miranda compression stations, and the critical analysis of compression station failures, led TBG to exceed its 95% target and achieve an overall 98.3% availability level in 2008.

Benchmarking and Cost Reduction

Since 2001, TBG has regularly hired internationally recognized external consultants to perform benchmarking studies. The aim is to compare its own results with the best practices of its peers – natural gas pipeline transportation companies around the world – and analyze its processes to improve its results.

The 2008 Benchmarking study report based on 2007 data, detected some opportunities for improvement that were all related to costs of measurement service contracts, the pipeline and its right of way, compression station maintenance service contracts and city gate station communication contracts.

In 2008, top management, based on information from the benchmarking study, determined an increasing in TBG's cost reduction projects. These projects involved six initiatives that led to a total cost reduction of R\$3 million in 2008, highlighting the replacement of INMARSAT by VSAT technology in city gate communications and the reduction of the operational risk insurance premium. Other initiatives were developed in 2008 and results will be obtained from 2009 onwards.



*The Cambará do Sul region, in the Gaúcho pampas, is crossed by the southern section of the Bolívia-Brazil Gas Pipeline.*



*Sign showing the right-of-way in the municipality of Miranda/MS.*

## FACILITIES MAINTENANCE

TBG manages the conservation of its physical assets on two fronts: the maintenance of compression, city gate and measurement stations and assuring the pipeline's integrity, which includes the inspection and maintenance of the pipeline itself, its blocking valves and the right of way.

TBG's facilities maintenance strategy is based on a philosophy of preventive maintenance, set out in the maintenance plans registered in the maintenance management module that is part of SAP R/3, the integrated corporate management system used by TBG.

In order to optimize its maintenance plans, part of its constant quest for the best methods and processes that can minimize the risk of operational failures and reduce maintenance costs, TBG chose to use the Reliability Centered Maintenance (RCM) methodology. It analyzes functions, the way failures occur and their consequences for facilities. Its implementation is expected to be completed in 2009.

Besides this, TBG also installed the Insight System, which monitors the turbo-compressors' operational parameters continuously, sounds alarms when conditions are not ideal and enables the space of time between each turbine servicing to be increased. This increases the reliability and availability of compression systems through pro-active maintenance and by putting off turbine maintenance stoppages.

Based on the maintenance plans and with technical support from the operation, maintenance, engineering, environmental and safety departments, maintenance execution along the gas pipeline is the responsibility of the three Regional Management Areas: Midwest (GRCO), covering the facilities all over the State of Mato Grosso do Sul; Southeast (GRSE), responsible for installations in the whole State of São Paulo; and South (GSUL), whose jurisdiction is the States of Paraná, Santa Catarina and Rio Grande do Sul.

GAS PIPELINE INTEGRITY

In 2008, TBG set up an integrity management program based on international norm 31.8S, of the American Society of Mechanical Engineers (ASME), which deals with natural gas transportation pipeline integrity management. This program covers various tasks whose overall aim is to mitigate threats to the gas pipeline's operational safety, including mechanical damage caused by the actions of third parties and mechanical damage due to natural forces, external corrosion and construction defects. Prioritization of services is based on a quantitative risk analysis which is always recalculated when a risk is identified or any kind of mitigating action is performed.

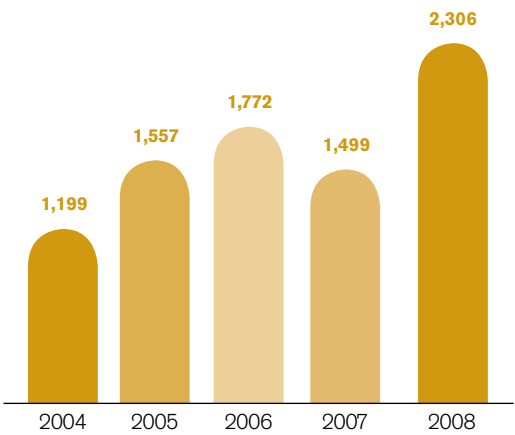
As part of the integrity management program, TBG launched a communication plan for the prevention of third-party actions aimed to developing an even closer relationship with property owners, residents or workers who live or work in the right of way's vicinity, in order to establish a continuous surveillance partnership. Thus, by exchanging information it is possible to avoid pipeline incidents.

To support this process, various communication materials such as videos, leaflets, newspapers, folders, stickers, posters and gifts were created or updated for use with specific publics and to fix the information transmitted verbally by the professional acting on TBG's behalf.

TBG's most important channel of communication with the population is the Gas Line ("Linha do Gás") (0800-260-400), which is available free of charge, 24 hours a day, seven days a week. Through it, communities located in the gas pipeline's vicinity can communicate abnormalities or denounce interventions in the right of way, as well as request technical guidance and make suggestions or complaints. In 2008, on completing 10 years, the service was restructured, enabling the population to request TBG's technical support in case it is necessary to interfere with the right of way, as in excavation work or other risky activities.

The figure below presents the number of Gas Line calls taken:

Gas Line Calls Taken – Last Five Years



INDUSTRIAL SAFETY

In terms of industrial safety, the company focused mainly on strengthening existing prevention tools such as the "Programa Atitude!" (Attitude Program), the Self-Evaluation of Safety, the Daily Safety, Environment and Health Dialogue (DDSMS) and the Preliminary Risk Analysis (APR).

The Attitude Program, that encourages employees to report near accidents, was created in 2006 and was maintained in 2008. Near accidents are reported by employees, showing the workforce's increasing commitment to accident prevention and enabling preventive measures to be adopted in the Company's operational management.

The DDSMS, an important accident prevention tool, is widely used in the Regional Management Areas. Groups meet on a daily basis for ten minutes before work in the field in order to discuss safety, environmental and health themes related to the day by day activities. The results of these dialogues have made a significant contribution to a more preventive behavior on the part of employees.



TBG also implemented the Daily Operations and Safety Dialogue (DDOS), involving head office and regional departments who take part through videoconferencing. In these dialogues presentations are made concerning the pipeline's operational conditions and safety related themes are discussed.

Evolution of TFCA\* and TFSA\* indicators

Year	TFCA	TFSA	HHER
2004	3.36	4.03	1,487,817
2005	1.70	4.53	1,763,767
2006	1.37	8.22	2,188,476
2007	0.41	6.62	2,415,497
2008	1.39	9.41	2,869,105

\* Frequency Rate of Accidents Involving Absence From Work ("Taxa de Frequência de Acidentes com Afastamento – TFCA") and Frequency Rate of Accidents Without Absence From Work ("Taxa de Frequência de Acidentes Sem Afastamento – TFSA"), associated with the number of Risk Exposure Man-Hours ("Homen-Hora de Exposição ao Risco – HHER"), covering TBG's entire workforce, operational and maintenance services contracted and investment projects.



Vegetation of the Cerrado State Park, Paraná.



TBG Compression Station pipes.

The table shows that the accident rate involving absence from work and the accident rate without absence from work both increased. This was due to the 18.77% increase in the MHER – Man Hour Exposure to Risk, involving riskier activities such as maintenance and emergencies, as well as investment works. There were four non-serious accidents involving absence from work and 27 accidents without absence from work during the year in an average work force of 1.300 workers, including employees and all service providers.

Despite this rate increasing, TBG is still below the world average for natural gas transportation Companies included in the benchmarking study.

In the Regional Management Areas, TBG has a regional safety, environment and health group – GRSMA, that operates in the same way as an Internal Accident Prevention Committee (CIPA). The head office CIPA is very active. In 2008, the Company realized the IV integrated Internal Prevention of Work-Related Accidents Week (SIPAT) throughout the whole company, developing standardized themes so that all employees could take part in an integrated fashion.

Ergonomics began to be more widely used in the company following the creation of Ergonomics Committees (COERGO) at the head office and regional management areas, and its aim is to adapt the work environment to the needs of human beings, besides taking ergonomic issues into account during the design phase, in order to build increasingly ergonomic facilities.

## CORPORATE SECURITY

The aim of TBG's corporate security process is to identify needs, establish norms and procedures, define preventive actions and generate demands related to the security of people, facilities and information.

In 2008, the Executive Board approved the creation of a Corporate Security Committee whose mission is to :

- Advise the board and provide management level guidance on matters related to corporate security;
- Develop and implement corporate security plans in the head office and regional management areas;
- Validate norms and standards related to corporate security;
- Coordinate the critical analysis of incidents involving corporate security;
- Prepare and develop programs designed to disseminate a corporate security culture at all levels of the work force;
- Participate in the establishment of programs designed to train members of the work force with security management responsibilities;
- Monitor the conceptual and technological evolution of corporate security activities.

TBG had invested R\$1.9 million in corporate security up to, and including, 2008.

## COMMERCIAL ACTIVITIES

TBG's current transportation contracts, that govern the provision of transportation services for its customers, known in the market as shippers:

### With Petrobras:

- TCQ Brazil Gas Transportation Contract – duration of 20 years from January 1, 2000 and contracted capacity of 18 million m<sup>3</sup> per day;
- TCO Brazil Gas Transportation Contract – duration of 40 years from September 5, 2001, contracted capacity of 6 million m<sup>3</sup> per day;
- TCX Brazil Gas Transportation Contract – duration of 19 years from January 1, 2003 and a contracted capacity of 5.35 million m<sup>3</sup> per day until May 31, 2011 and 6 million m<sup>3</sup> per day until the end of the contract;
- CPAC 2007 Gas Transportation Contract – duration of 20 years (forecast to begin on October 2010) and contracted capacity of 5.2 million m<sup>3</sup> per day on the gas pipeline section between Paulínia/SP and Araucária/PR.

### With BG:

- BG TCX Gas Transportation Contract – contracted capacity of 650 thousand m<sup>3</sup> per day and duration until May 31, 2011, when Petrobras's ceding of of 650 thousand m<sup>3</sup> per day to BG is due to terminate.

One should highlight the signing on May 28, 2008, of TBG's first transportation contract of over 30.08 million m<sup>3</sup> per day – Transportation Contract between TBG and Petrobras consequent on the Public Capacity Allocation Competition (CPAC) that began in 2007 – and the signing of the respective Pre-Payment Agreement, which establishes Petrobras's commitment to pre-pay 95% of the investment associated with the project. This project consists of a 5.2 million m<sup>3</sup> per day expansion in the transportation capacity of the gas pipeline's southern section, between the municipalities of Paulínia/SP and Araucária/PR. This capacity increase will enable Petrobras to meet the needs of the Presidente Getúlio Vargas Refinery (REPAR), the Araucária thermoelectric power plant and Araucária's industrial market. This capacity expansion represents a direct increase in TBG's billing.

In May 2008, TBG and Petrobras signed the first natural gas supply contract to exceed the level of 30.08 million m<sup>3</sup> per day.

To assure the integrity of the Gas Pipeline, one of TBG's strategies is to undertake periodic aerial and ground inspections of the right of way.

The transportation contracts assures TBG's monthly billing independently of the full utilization of the transportation capacity contracted by its customers. This is due to the firm nature of these contracts, whose main characteristic is the customers' commitment to pay for the reservation of capacity, even though it is not used – a condition known as ship or pay.

In 2008 gross operating revenue attained R\$936,927,462.00. R\$9,915,374.00 of the total resulted from the provision of services characterized contractually as in excess. We now show the participation of each contract in the Company's billing in 2008, except the CPAC 2007 Gas Transportation Contract which, as mentioned above, is forecast to begin in October 2010:

- TCQ Brazil Gas Transportation Contract – 75.23%;
- TCO Brazil Gas Transportation Contract – 1.92%. It should be highlighted that the amounts billed in this contract refer mainly to taxes, as the investments associated with the transportation capacity stipulated in this contract were prepaid;
- TCX Brazil Gas Transportation Contract – 20.26%;
- TCX BG Gas Transportation Contract – 2.59%.

Finally, it should be highlighted that, in the event of delivery failures TBG's monthly billing is reduced by an amount equivalent to the capacity charges foregone on the undelivered quantities, as well as incurring penalties from its customers. Specifically in the case of the TCQ, TCO and TCX Brazil Gas Transportation Contracts, the application of penalties is also foreseen in the case of receival failure. However, there is no reduction in the monthly capacity charge. It should be highlighted that in the case of these contracts there is no limit on the payment of penalties. However, in the case of the TCX BG and CPAC 2007 Gas Transportation Contracts, the payment of penalties in each year is limited, respectively, to 8% and 10% of capacity charges.

## RISK MANAGEMENT

In order to assure better operational, commercial and economic and financial results, TBG acts permanently to identify and manage its risks. In 2008, the Company promoted a meeting joining directors and managers to develop a risk management project.

A risk analysis study was therefore developed, consisting of the following stages:

- Identification and mapping of risk events, indicating their causes and consequences;
- Measurement of risks – financial evaluation of each risk event's impact and definition of their probability;
- Preparation of a risk matrix – classify risk events in terms of impact versus probability, according to the risk measurement performed;
- Preparation of an action plan to mitigate risks – describe the actions that mitigate the causes and impacts of the company's identified and classified risks;
- Risk monitoring – monitor mitigatory actions foreseen in the action plan, through the monitoring of action plan fulfillment indicators;
- The preparation of TBG's risk matrix was concluded in 2008.

### Operational Risk

The actions of third parties and external corrosion are regarded by the American Society of Mechanical Engineers (ASME), as the main threats to a gas pipeline's integrity, according to its Norm B31.8S, which sets out the pipeline and right of way integrity requirements.

The strategy used to control the action of third parties is to carry out periodic inspections from the air and on



foot in addition to programs involving close interaction with communities close to the pipeline, municipal authorities, water and electricity utilities and other potential executors of excavation works.

In order to avoid the effects of external corrosion, the gas pipeline has a cathodic protection system to complement the anti-corrosion coating that isolates the pipeline from all aggressive environments in the terrain crossed by it.

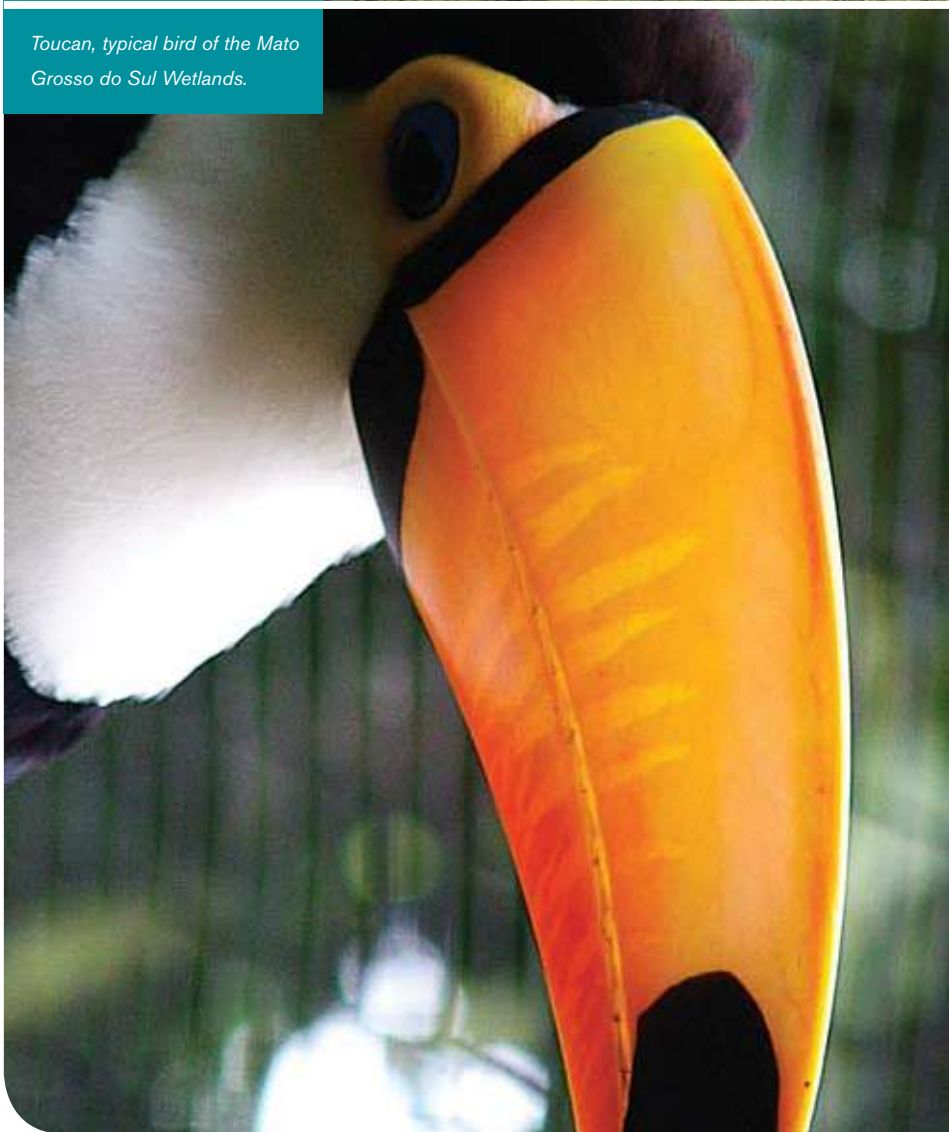
To assure the pipeline's integrity, which is fundamental for a safe and accident-free operation, TBG also performs periodic inspections using an instrumented PIG, that is an efficient tool in the case of lengthy pipelines. The equipment maps the pipeline's mechanical conditions and indicates points where there is corrosion, reduction of thickness, denting and other problems, with precision. After six effective years of operation, the Bolivia-Brazil gas pipeline had its first inspection campaign in accordance with worldwide pipeline operator practices, which ended in 2007. Based on the results obtained during this first campaign, three-year intervals were defined for inspections of sections with diameters of 24 inches or less, and six years for 32-inch diameter sections.

Another important tool used by TBG is the GIS – Geographic Information System – which provides geographical and social data regarding the regions crossed by the pipeline, in order to enable a faster identification of each pipeline section.

In order to assure a continuous control of the pipeline's whole operation, which is centralized in the Control and Supervision Center (CSC) located at its head office, TBG also has an emergency CSC in case the main one fails.



*Araucária City-Gate Station –  
CIC (Curitiba Industrial City),  
Paraná.*



*Toucan, typical bird of the Mato  
Grosso do Sul Wetlands.*

### Financial Risks

TBG transfers to the insurance market the risks that might lead to losses that could jeopardize its economic and financial equilibrium. Coverage is a legal and contractual obligation, and the risks are considered to be negligible given the Company's size. Therefore, so as to comply with obligations established in the transportation and financing contracts, TBG, in line with best risk management practices, annually takes out operating risk insurance policies.

Beginning in 2005, operating risk insurance has been taken out within the Petrobras insurance package, which has resulted in a gradual reduction in the cost of contracting this insurance.

TBG does foresee a credit risk, as its two sole customers, Petrobras and TBG have low credit risks.

The revenues from natural gas transportation services are linked to the variation of the U.S. dollar, which affords foreign exchange protection matched to its long-term debt, which was contracted in foreign currency. Regarding short-term commitments, it is company policy to hedge the risks of foreign currency variations, by investing those funds reserved for debt servicing in U.S. dollar indexed foreign exchange funds.

The Company's debt was taken out with multilateral credit institutions which charge variable interest rates whose volatility is usually low, while some financings were taken out at fixed interest rates. Another part of the debt was taken out by Petrobras from export credit agencies, mainly Japanese ones, and passed on to TBG. Therefore TBG's interest rate risk is very low and does not require and protective measures.

### Regulatory Risks

Being a natural gas transportation company, TBG is subject to Petroleum Law no 9.478/97 and the resolutions of the National Oil, Natural Gas and Bio-Fuels Agency (ANP), and thus, is directly affected by the ANP's resolutions or the promulgation of related laws.

Amongst the ANP resolutions that are pertinent to natural gas transportation, one should highlight resolutions 27, 28 and 29, of October 14, 2005.

Resolution no 27 regulates the use of natural gas pipeline transportation facilities. It determines the non-discriminatory access to transportation facilities, as well as the procedures to be followed by transportation companies in the process involving the contracting of transportation capacity by interested shippers.

Resolution no 28 regulates the ceding of natural gas pipeline transportation contracted capacity.

Resolution no 29 establishes the criteria used to calculate natural gas pipeline transportation tariffs, whether firm or interruptible.

One should highlight the approval of the Gas Law by the Lower Chamber and the Senate in December 2008. This law deals with activities related to the transportation of natural gas, as well as natural gas treatment, processing, storage, liquefaction, re-gasification and commercialization activities.

TBG is closely monitoring the promulgation of this new regulatory mark, as well as any changes that may be made by the ANP to the resolutions mentioned above. The information available indicates that current contractual conditions will be maintained and it is TBG's perception is that it is unlikely that its rights will be jeopardized.

INFORMATION TECHNOLOGY

In 2008, TBG invested R\$1.7 million in this area, highlighting:

- a) The installation of COBIT (Control Objectives for Information and Related Technology), which consists of a model used as a tool to develop IT governance, containing control and management techniques aimed at: supporting the preparation of audits; monitoring and evaluating IT processes (PDCA) and supporting the fulfillment of organizational goals.
- b) Installation of an ITIL (Information Technology Infrastructure Library), which consists of a collection of best IT process and service management practices, whose model has become a universally recognized de facto standard.
- c) Development and installation of a Statistical Control of Work Incidents (CEIT) whose aim is to monitor records of accidents and near accidents that have occurred in the Company, as well as generate graphs, statistical consultation, control the flow of accident reports and record recommendations suggested by the process.
- d) Plan the migration to the SAP R/3 Version of the Corporate Management System Project and the review of access profiles, in order to comply with internal and external audit recommendations and Sarbanes-Oxley Law requirements.
- e) Plan the version migration project of the Integrated Electronic Standardization of Procedures System (SINPEP), used as a tool to support the Integrated Management System.

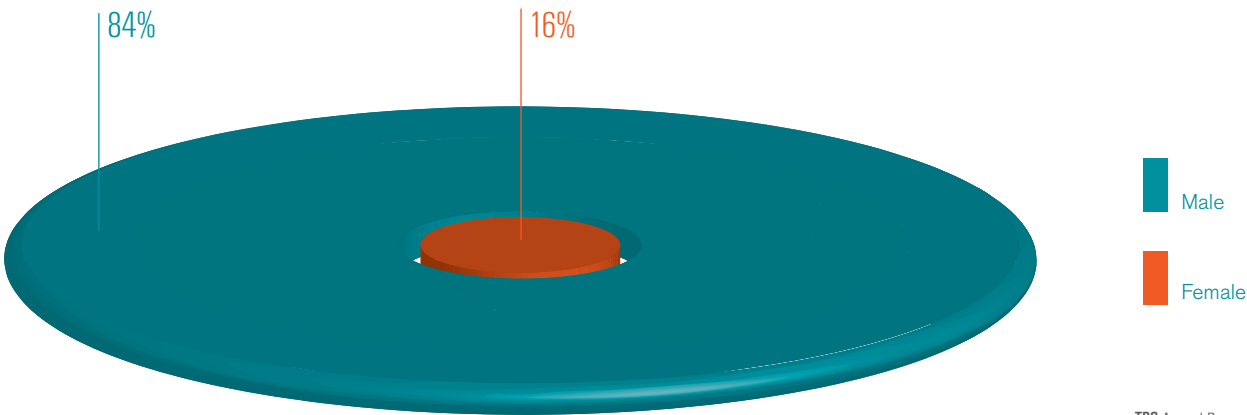
HUMAN RESOURCES

The management of the company's human resources is focused on obtaining a high level of workforce performance through intensive training, motivational programs, an adequate compensation and benefits policy, and by promoting a healthy and stimulating work environment.

One of the year's main achievements was the reformulation of the performance assessment process covering the whole workforce. This assessment, whose aim was to afford recognize TBG employee performance in 2007, was based on the management by competencies model. This new model's aim is to recognize each employee's contribution to company results and assure that they acquire the experience, skills and knowledge that lead to improvements in processes and activities.

TBG continued the process of forming its own cadre of employees by organizing the 2<sup>nd</sup> Public Selection Process, whose result was published on June 30. 30 new employees joined the Company during the second semester, and at the end of the year TBG had 200 employees and 65 people seconded by its partners, or a total workforce of 265.

Gender







Characteristic handicraft of the State of Santa Catarina.



Oscar Niemeyer, in Curitiba/PR – a city located on the route of the Bolívia-Brazil Gas Pipeline.

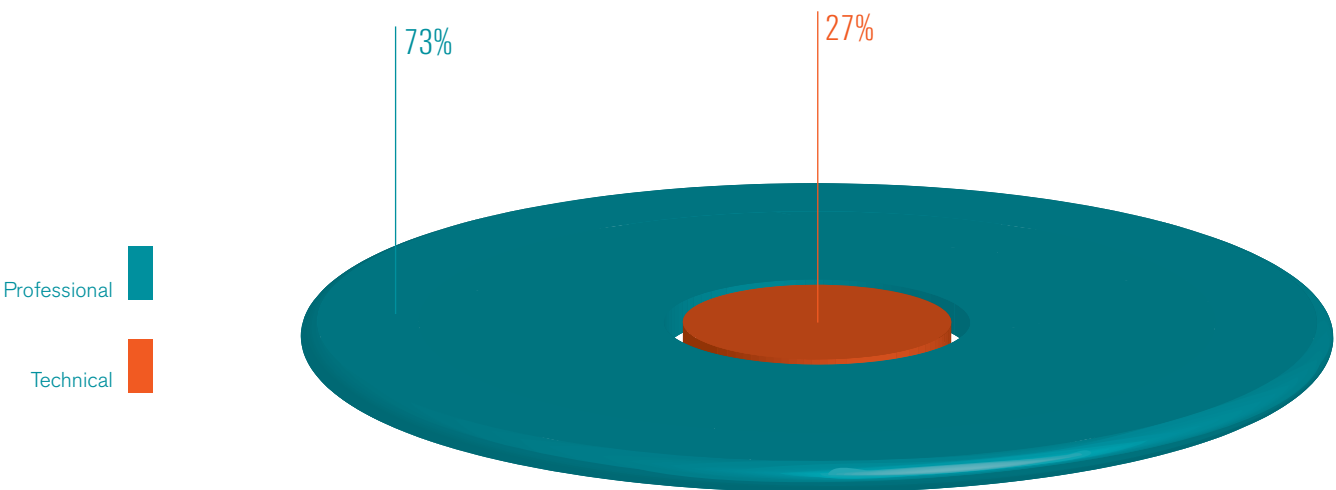
The Company's people development policy stipulates that training should be divided into themes related to the technical development of professionals in their specific areas, behavioral and business aspects of their activities and personal development themes.

In 2008, each employee received an average of 76 hours of training, highlighting especially the improvement in processes involving the inter-relationship between TBG's training area and the Petrobras University. This partnership is strategic for the company as the latter institution is totally dedicated to the oil and gas segment, is accredited by the Ministry of Education and Culture and has achieved international recognition. The PU was elected by the International Quality & Productivity Center, a US Institute that specializes in executive training, as the world's best corporate university. 96 short, medium and long-term training programs were held during the year.

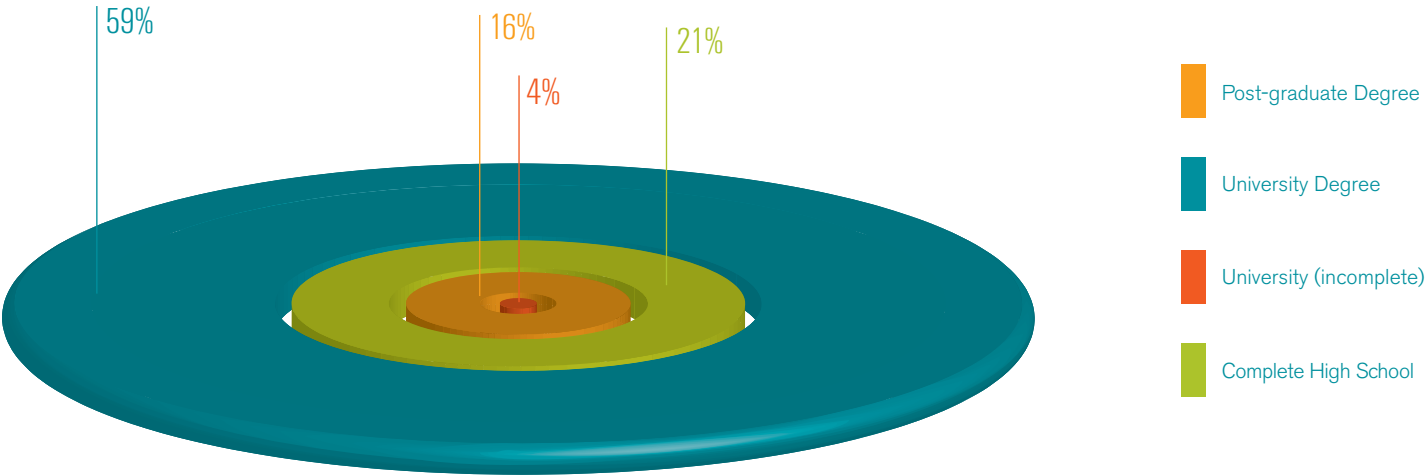
In 2008 TBG continued the psychosocial support program known as "Entre Amigos" (Between Friends), that provides counseling to employees and their families on matters of a psychological, social, legal and financial nature, free of charge.

In line with the policy of caring for the safety, health and well-being of employees the Internal Accident Prevention Commission (CIPA) and the Safety, Environmental and Health groups promoted events

### Distribution of Positions



Education



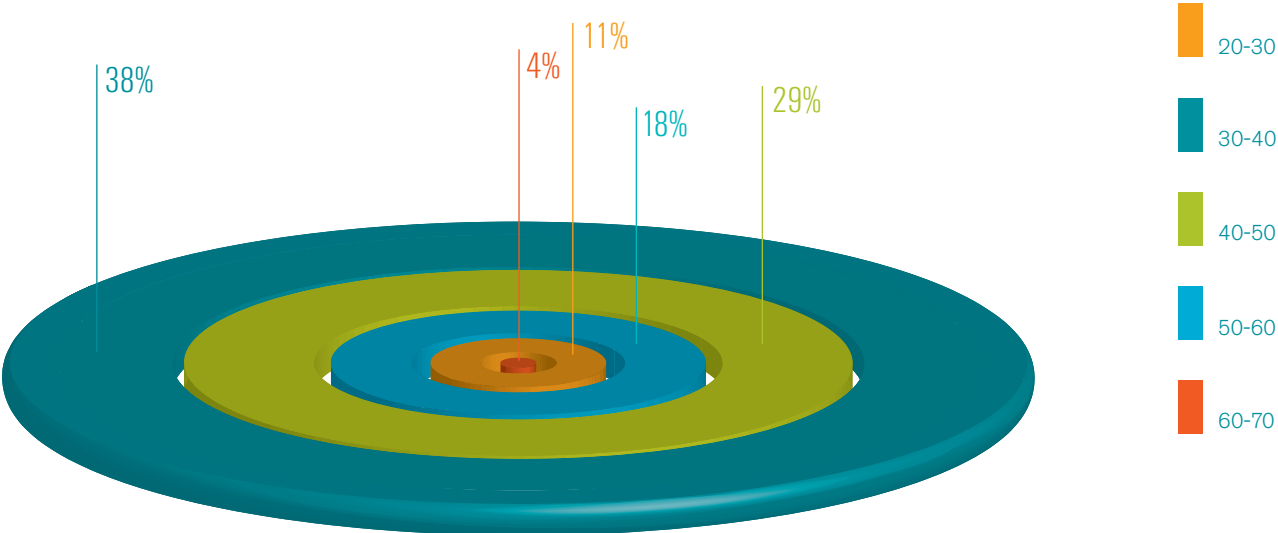
related to these themes. Throughout the year, various lectures were held on the prevention of accidents and safety at work, besides others dealing with social aspects and quality of life, such as, the preservation of the environment, prevention of AIDS, drug abuse, cholesterol control, skin care and exercising in the workplace. We can mention the running program and ecological walks as examples of other initiatives aimed at improving the quality of life of employees and their families.

In order to communicate with its staff, the company uses TBGente, a bimonthly newspaper that discusses institutional matters and integrates people through articles on various subjects. It has a one thousand

copy circulation and is also distributed to specific external publics. The latest survey undertaken to assess employee acceptance of this publication, found that more than 90% of readers were satisfied with the information it contained.

Indicators for education and experience level, presented in the graphs on employees' profile are in accordance with the complexion of activities developed by the Company.

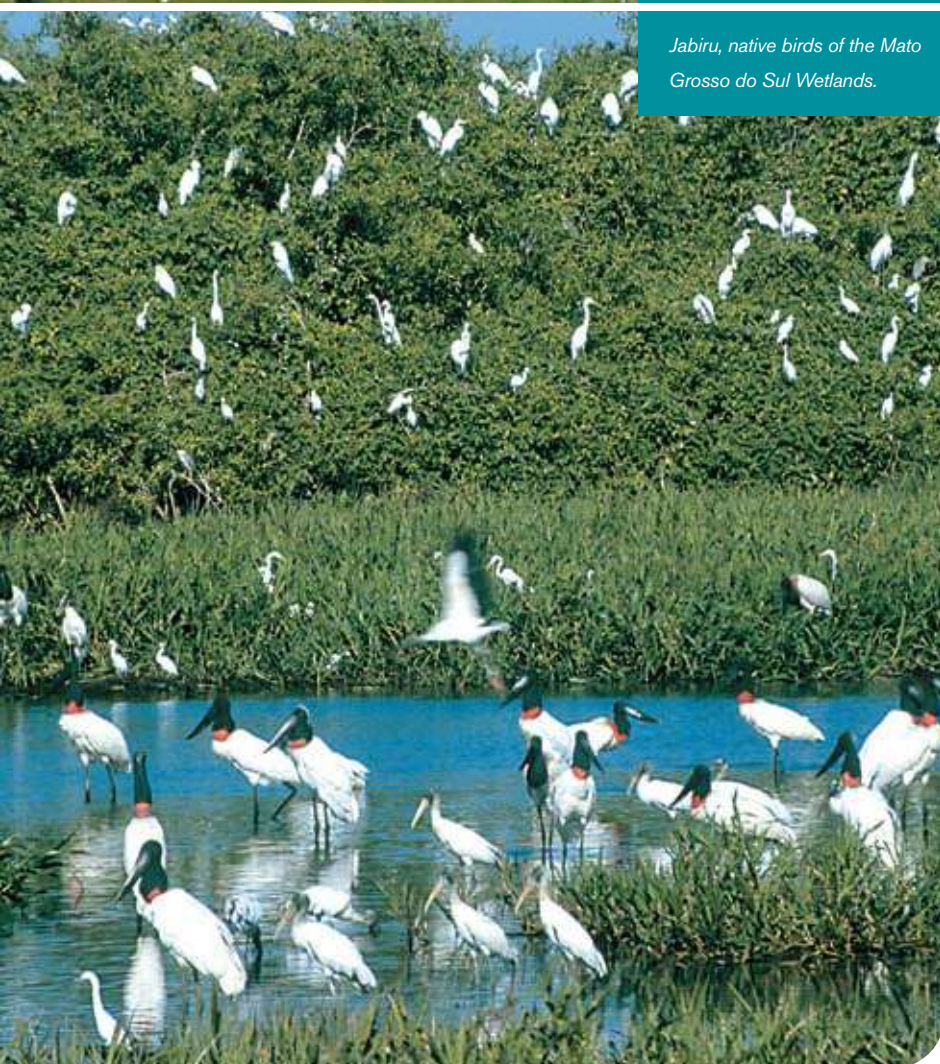
Age Group







*Araucária Compression Station, Paraná.*



*Jabiru, native birds of the Mato Grosso do Sul Wetlands.*

## INTANGIBLE ASSETS

### Organizational Culture

The Company's North American, European and South American shareholders assure its cultural diversity. Physically, it crosses several Brazilian States (Mato Grosso do Sul, São Paulo, Paraná, Santa Catarina and Rio Grande do Sul) and, consequently, their different cultures. Moreover, through the development and contracting for services, the Company is subjected to diverse influences and relates to various different realities.

Since the construction of its assets, the Company's activities have always been guided by its values, mission and vision in harmony with its norms, and taking great care to combine the diverse origins of its workforce. This is evidenced by the integration program, in which each new employee has to take part, where these matters are dealt with. In 2006, with the introduction of the Public Selection Process, the Company began a process to constitute its own workforce, thus leading to the entry of new employees from different segments of the market and backgrounds. As a result, the Company has since then been undergoing a period of changes and constitution of its own organizational culture.

### Intellectual Capital

Given its employees' high levels of education – more than 70% are university graduates or have postgraduate degrees – TBG occupies a privileged position in terms of its employees' qualifications. Besides this, the adoption of a training policy that assures the constant evolution of professional skills and a differential in the management of intellectual capital.



The specific characteristics of natural gas pipeline transportation operations, which use an advanced technology in the domestic market, requires employees with the best qualifications and professional experience. We may highlight the continuous operation of the Control and Supervision Center (CSC), which has a vital function in the Company's operational processes and demands a high degree of technological skills.

The intensification of the partnership with the the Petrobras University aims at increasing the scale of the Company's training policy, maintaining a focus on developing its employees' skills.

### Corporate Image

TBG takes great care to maintain its image as a natural gas transportation company that provides a reliable service with high standards of industrial safety and social responsibility.

In 2008, TBG, as a kind of strategic reaffirmation in the natural gas market, considering the Company's importance for the infrastructure and composition of Brazil's energy matrix, executed actions that increased its visibility with related publics, thus promoting its corporate image:

- A co-sponsor of the Rio Oil & Gas Expo and Conference 2008, Latin America's biggest oil and gas event;
- Co-sponsor of the "Feicana/FeiBio 2008", a bio-energy sector fair that took place in Araçatuba/SP;
- Reformulation of the whole corporate website, increasing the amount of company information and redesigning its communication systems technology to enable the company to communicate more effectively with the external public, through a new "Fale Conosco" (Speak to Us);
- Intensification of relationships with the regional press, providing information on TBG's activities, especially actions developed in areas close to the right of way;

*Bilro lace, handicraft from the State of Santa Catarina.*



- Consolidating the Gas Line service as an effective communication channel, mainly between the company and the communities in the gas pipeline's vicinity.

Other activities also contributed to consolidating its image as an operationally reliable and safe company:

- Conclusion of the installation of back-up turbo-compressor facilities at Corumbá, Miranda and Anastácio compression stations, as part of the Reliability Project's ("Projeto Confiabilidade") scope;
- The rapid repair of the gas pipeline section affected by the torrential rains in Santa Catarina, which led the authorities to declare a state of emergency in the Vale do Itajaí region. The speed which the emergency repairs were executed, leading to the re-establishment of gas transportation ahead of schedule and the transparency which the company informed stakeholders and the public at large about the progress of the repair works.



Miranda Compression Station,  
Mato Grosso do Sul.





# Investments

The expansion of the Southern Section represents a landmark for TBG and the possibility of increasing the supply of natural gas to the State of Paraná.

TBG has projects worth a total of R\$568.8 million, of which R\$141 million were invested in 2008. Its main investments are the Reliability Project, transportation capacity expansion, installation/expansion of city gate and measurement stations and operational improvements. These projects are detailed below:

## RELIABILITY PROJECT

This project's aim is to increase the reliability of the Company's facilities, reinforcing the Company's image as a reliable service provider. This project consists of the installation of an additional 15,000 HP turbo-compressor in the Corumbá, Miranda and Anastácio compression stations in the State of Mato Grosso do Sul, and a new compression Station in Paulínia in the State of São Paulo (with two 15,000 HP turbo-compressors) at an estimated cost of R\$ 248.24 million.

On July 18, 2008, the contract with the supplier responsible for the execution of the Reliability Project's EPC was terminated due to a breach of contract. TBG then took over its construction and negotiated two agreements with the above supplier for the delivery of equipment, materials and services, signing one on September 25 and the other on December 23, 2008, thus ensuring the continuation of the works.

The installation of an additional turbo-compressor in the compression stations located in the municipalities of Corumbá, Miranda and Anastácio, in the State of Mato Grosso do Sul was completed in December 2008. R\$51.9 million were disbursed on this project in 2008. A new bidding process was also initiated to undertake the remaining services in the Paulínia compression station.



## TRANSPORTATION CAPACITY EXPANSION

The Southern Section Expansion Project represented a landmark for the Company as it was associated with the signing of its first contract to transport more than 30.08 million m<sup>3</sup> per day. This undertaking was the result of a projected increase in the State of Paraná's demand for natural gas, and was included in the federal government's growth acceleration program (PAC).

As mentioned in the commercial activities item, the project consists of a 5.2 million m<sup>3</sup> per day expansion in the pipeline's southern section transportation capacity between the cities of Paulínia/SP and Araucária/PR. In 2008 TBG purchased the three turbo-compressors to be installed in the Capão Bonito/SP compression station and the third turbo-compressor to be installed in the Paulínia/SP compression station, also and signed the contract for the installation of the Capão Bonito/SP compression station, disbursing R\$29.0 million on this project. The total estimated cost of the project is R\$252.96 million, and it is should be completed in October 2010.

## SIDERÓPOLIS COMPRESSION STATION

In 2008, TBG completed the installation of a compression station in the municipality of Siderópolis/SC, enabling the company to supply 2.4 million m<sup>3</sup> per day to the city gate stations in the municipality of Canoas/RS, disbursing a total of R\$15.8 million.

## NEW CITY GATE STATIONS

With the installation of new natural gas city gate stations along TBG's gas pipeline, the Company is able to supply new markets. 2008 saw the completion of the installation of a city gate station in the municipality of Guaíçara/SP, that cost R\$10.5 million, with R\$8.2 million disbursed in 2008.

## PAULÍNIA – JACUTINGA MES

This project consists on the installation of a measurement station in the municipality of Paulínia, that will make it possible to connect the TBG gas pipeline to the new gas pipeline that will link the municipalities of Paulínia/SP and Jacutinga/MG. The project, which will cost an estimated R\$3.7 million, was initiated in August 2008 and is forecast to come on stream in April 2009. R\$1 million was disbursed in 2008.

## OPERATIONAL IMPROVEMENTS

The operational improvement program adopted by TBG, aims at assuring operational reliability and facilities' availability and integrity. It is composed of a series of projects and engineering works to solve operational problems at facilities. R\$5.4 million were invested in 2008, mainly in the southern section compression station remote operation project.

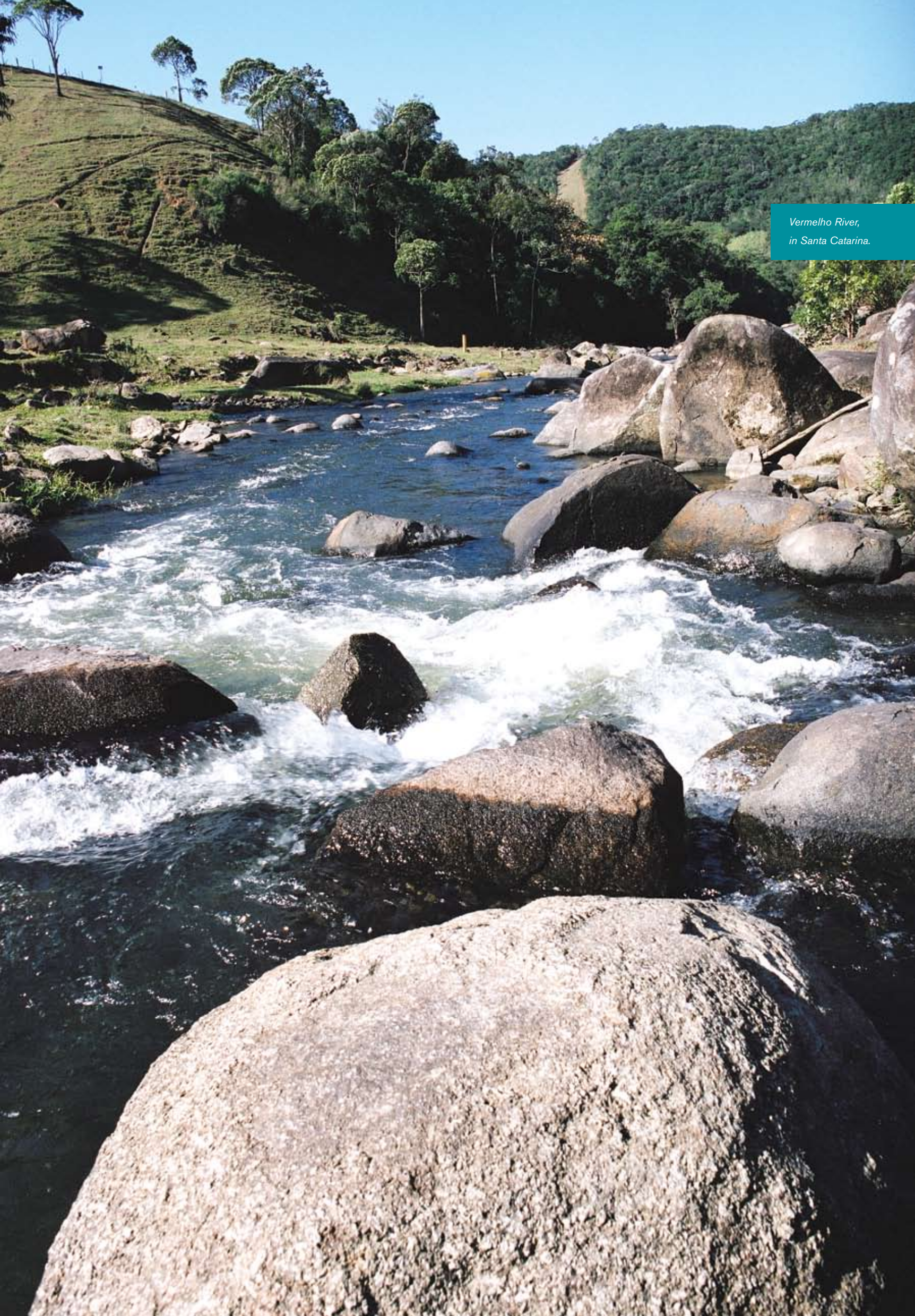
## FACILITIES SAFETY AND INTEGRITY

Another important program involves investments in the safety and integrity of gas pipeline facilities. R\$14 million was spent in 2008, mainly on the following projects:

- Strengthening of the blocking valve supports along the gas pipeline;
- Replacement of the turbocompressor exhaust retention valves, with the adoption of a new technology;
- Modernization of the motor-generator fire extinguishing system.

Besides the above mentioned programs, a general overhaul of gas turbines is performed by the manufacturer after 35.000 hours of operation, and absorbed investments of R\$11.2 million in 2008.





*Vermelho River,  
in Santa Catarina.*



*Brazilian pine, a typical tree  
of Brazil's southern region.*



# Financial and Economic Performance

TBG's gross operating revenues, resulting from the billing of gas transportation capacity in 2008, amounted to R\$937 million.

## MAIN INDICATORS

Year	2008	2007
Gross Operating Revenues – R\$ million	937	914
Net Operating Revenues – R\$ million	768	748
Net Result (Loss)/ Profit – R\$ million	(71)	446
EBITDA – R\$ million	598	583
Dividends Payable – R\$ million	220	143
Shareholders' Equity – R\$ million	573	864
Permanent Assets – R\$ million	2,571	2,551
Investments – R\$ million	141	133
Indebtedness – R\$ million	2,150	1,784
Capital Structure (Third-party capital/total liabilities)	56%	66%
Number of Shares – thous.	203,288	203,288
Equity Value per Share – R\$	2.82	4.25
Net Earnings per Share – R\$	(0.35)	2.2
Proposed Dividend per Share – R\$	1.08	0.7



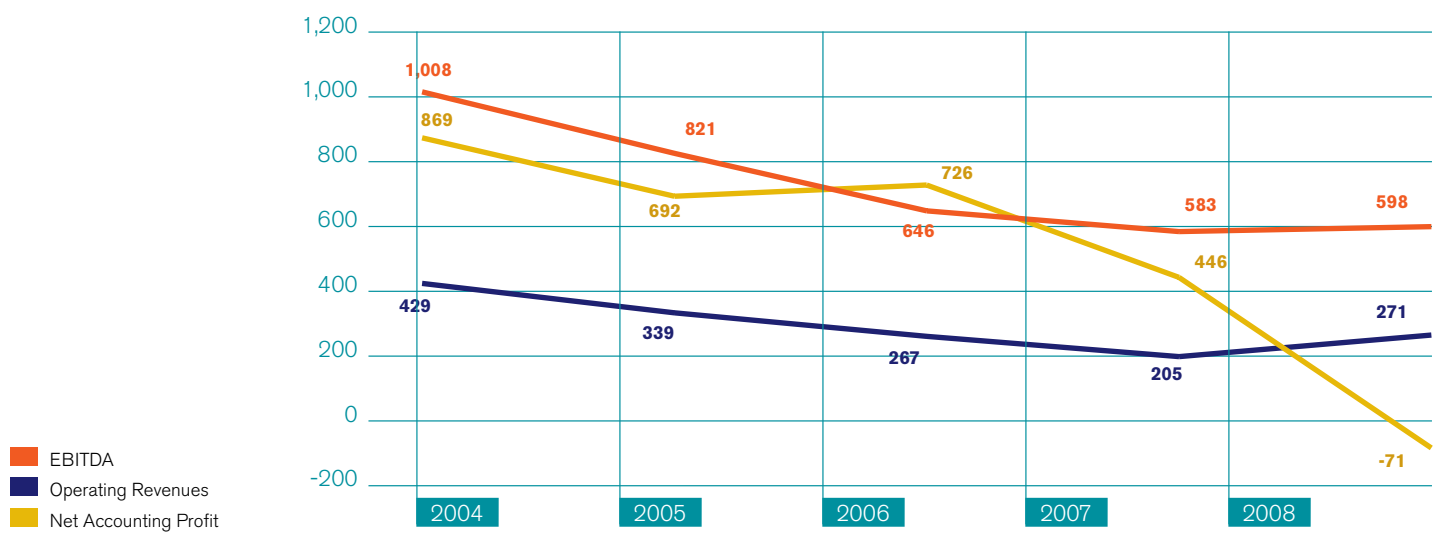
### EVOLUTION OF RESULTS

The Company recorded a loss of R\$71 million in 2008, as against a net profit of R\$446 million in 2007.

However, EBITDA were R\$598 million (R\$583 million in 2007), showing that this year's loss is entirely due to currency devaluation and not the effective result of the company's operations. To calculate EBITDA we

excluded financial revenues and expenses, including currency variations.

In order to visualize this better, we plotted a graph that shows the behavior of EBITDA and profits from its own operations during the past five years, against net revenues obtained in each of these years:



### Exchange rate variation, R\$/US\$:

2004	2005	2006	2007	2008
8%	12%	9%	17%	(32%)

The comparative analysis of the company's results, beginning in 2004 when the gas pipeline began to bill its total transportation capacity of 30 million m<sup>3</sup> per day, is proof of the predominance of profitable periods.

The R\$/US\$ exchange rate has to be taken into account as an important factor in the formation of profit as it determines the price of transportation services and consequently the volume of operating revenues.

Likewise, the exchange rate serves as a basis for updating the Company's debt involving loans and financings obtained for the construction of the gas pipeline,

and consequently determines the volume of financial expenses and foreign exchange gains or losses.

These factors taken together have led to a decline in results due to the annual reduction in dollar-linked operating revenues, which had been offset until last year by the positive financial result arising out of successive foreign exchange gains from the reduction in foreign currency denominated debt.

However, in 2008, the negative impact of the dollar's 32% appreciation on the Company's debt led to an accounting loss for the business year.

In order to highlight the merely economic aspect of this loss, due to the impact of exchange rate variations on debt service payments during this period, one must analyze EBITDA's performance.

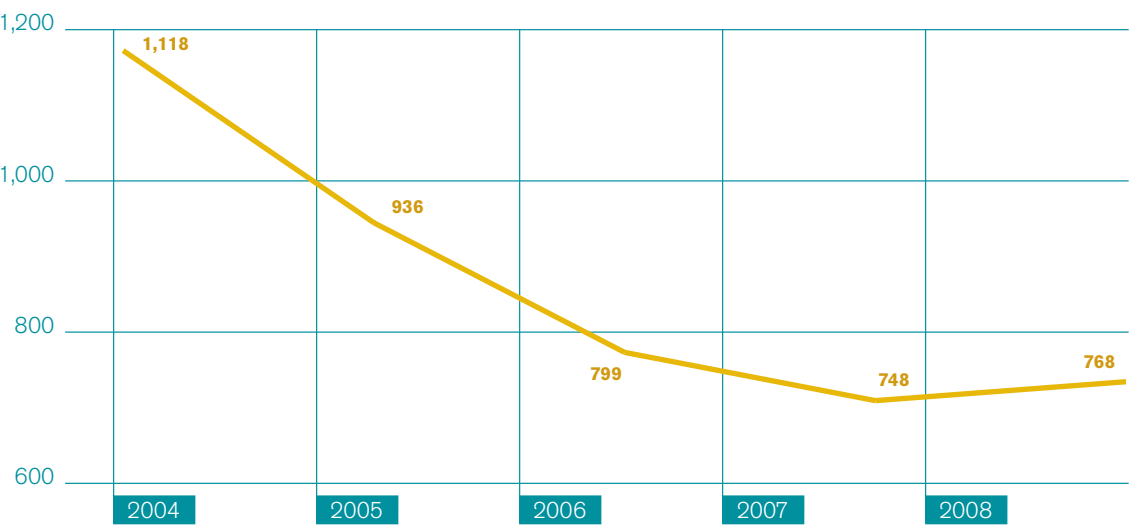
OPERATING REVENUES AND COSTS

TBG's operating revenues resulting from invoicing for the gas pipeline's transportation capacity, in 2008, totaled R\$937 million (R\$914 million in 2007). After

deducting sales taxes, net revenue was R\$768 million (R\$748 million in 2007).

Net sales recovered slightly, as can be seen from the following graph. This recovery was partly due to the recording of accounts receivable of R\$46 million from the shipper Petrobras, resulting basically from the behavior of the exchange rate during the last four months of the year.

Net Sales – R\$ million



In accordance with the procedure of adjusting monthly billing by the variation in the rate of the tariff's dollar component established at the beginning of the year and that for each month, TBG, until August, presented a payment balance of R\$35 million, the result of the real's 8% appreciation against the US\$. In the last four months of 2008, the dollar staged a 43% recovery against the real, ending 2008 up by 32%.

Operating costs represented 25% of operating revenues (24% in 2007). Depreciation of the gas pipeline, amounting to R\$106 million (R\$103 million in 2007), represented 46% of the cost of services (47% in 2007).

In 2008, excluding, for purpose of comparison, expenditures on new investments and those incurred during the force majeure event in Santa Catarina, non-depreciable expenditures (on operation and maintenance etc) attained R\$159 million. A comparison with 2007's expenditures in 2008 prices, multiplying 2007's expenditures of R\$153 million by the IPCA [Expanded Consumer Price Index], or R\$160 million, shows that these expenditures fell by R\$1 million in 2008, despite the impact of the increase in ICMS (Tax on Circulation of Goods and Rendering of Services) levies, due to the larger volume of gas used by the system to transport 29.5 million cubic meters per day (+ 11% over 2007 = 26.5 million cubic meters per day).



In 2008, TBG paid R\$137 million in taxes and social contributions on revenues and profits.

## INDEBTEDNESS

On December 31, 2008, TBG's total debt in short and long-term loans and financings, directly or indirectly taken out with financial institutions, shareholders and PETROBRAS amounted to R\$2.150 million (R\$1.784 million on December 31, 2007).

During the year, the debt increased by 21% (a reduction in 2007). R\$269 million was paid by way of principal, and R\$122 million by way of interest, totaling R\$391 million of debt servicing in 2008 (R\$451 million in 2007). 32% of the increase was attributed to foreign exchange effects and 11% of the reduction to debt service payments.

Since its operations began, TBG has paid the equivalent of US\$1.5 billion in principal (45%) and interest (55%) on its commitments and payment of the final installment is forecast to occur in 2018. It has already paid off 48% of its initial debt.

The weighted average cost of TBG's debt with financial institutions on December 31, 2008, was 5.18% p.a. (6.65% p.a. in December 31, 2007), favored by the behavior of interest rates in the international market. Including the cost of subordinated loans from shareholders, the percentage rose to 8.36 p.a. (9.04% in 2007).

## TAXATION

In 2008, TBG booked R\$137 million (R\$403 million in 2007, excluding deferred Income Tax – IR and Social Contribution on Net Income – CSLL) on account of taxes and social contributions on revenues and profits, of which R\$86 million concerns Tax on Circulation of Goods and Rendering of Services – ICMS (or State VAT) (R\$ 81 million in 2007).

Overall taxes levied represented 15% (28% in 2007) of the company's billing.

The calculation of income tax and social contribution due on 2008's profit resulted in a tax credit of R\$32 million (versus the R\$238 million paid in 2007).

Adjusting the components of the result to calculate taxable profit, especially the effect of the taxation of the foreign exchange result on a cash basis, resulted in taxation of R\$75 million (R\$89 million in 2007).

TBG's current taxation account still has a compensating tax loss balance of R\$532 million (R\$628 million in 2007), which the Company can make use of by the 2012 business year, with its annual use limited to a 30% portion of the taxable profit assessed in each of these years.

## SHAREHOLDERS' EQUITY AND ALLOCATION OF INCOME

Based on its 2007 financial statements, TBG distributed R\$153 million in dividends to its shareholders in 2008.

Despite the accounting loss recorded in 2008, the company recorded net profit reserves of R\$661 million in its shareholders' equity, of which R\$143 million constituted the Special Reserve generated in 2007 – that only depended on the proven existence of financial resources to be paid, and a Reserve for Unrealized Profits amounting to R\$477 million – accounting profits generated in 2006 and 2007.

Given this volume of reserves of R\$276 million in 2008 and the prospect of sufficient funds in 2009, the board decided to use 2007's Special Reserve in order to propose a dividend of R\$220 million for 2008, to be paid in 2009, adjusted by the Selic rate.

Thus, a proposal is being sent to the annual shareholders' meeting to distribute a dividend for 2008 amounting to R\$220 million, representing approximately R\$1.08 for each share of the Company's capital and within the financial possibilities reflected in TBG's financial forecasts as presented to the Board of Directors.



*Serra do Tabuleiro  
State Park,  
Santa Catarina.*







*Campo Grande  
Compression Station,  
Campo Grande, Mato  
Grosso do Sul.*



*Capybara, the world's  
biggest vegetarian rodent,  
is a typical animal of the  
Mato Grosso do Sul  
Wetlands.*

In the light of what is provided for in TBG's by-laws (article 28, paragraph 2) dividends payable are subject to adjustment according to the Selic rate, from the closing date of the business year until the date of payment, which, assuming payment will be made in the last quarter of the year and Selic's probable behavior in 2009, should mean an increase of 12%, according to our estimates based on information in the Brazilian Central Bank's Focus Bulletin.

Also regarding the remuneration of shareholders, we should mention that in 2008 TBG also paid its shareholders R\$72 million in interest payments on Shareholders' Subordinated Debt which in terms of interest plus dividends represented around 29% of the year's net operating revenue.

A R\$370 million balance of Profit Reserves will remain in Shareholders' Equity, of which R\$128 million are constituted by the already mentioned Special Reserve, R\$41 million in the Legal Reserve and R\$201 million in the Reserve for Unrealized Profits. The book value of a share stood at R\$2.82 (R\$4.25 in 2007).

We should point out that, in practice, these reserves constitute potential dividends to be paid to shareholders, except if there are losses to be offset, in which case their payment would be a priority.

## OTHER INFORMATION

Cash and cash equivalents, including financial investments and linked deposits held with the Banco do Brasil, totaled R\$147 million in December 31, 2008 (R\$250 million in December 31, 2007).

TBG's own investments in 2008 totaled R\$88 million, 75% of the amount forecast in the budget. Total investments, including those investments on behalf of the shipper Petrobras, totaled R\$141 million, reducing



the percentage effectively undertaken to 66% of the amount budgeted.

Total assets amounted to R\$3,109 million on December 31, 2008 (R\$3.237 million on December 31, 2007), highlighting the net book value of the gas pipeline which amounted to R\$2,327 million (R\$2,301 million on December 31, 2007).

Information compiled during the monitoring of the Global Expenditure Program – PDG – which covers the Federal Government’s budget performance shows that, in its capacity as Company connected to the Indirect Federal Administration, TBG’s financial performance enabled it to contribute R\$150 million (R\$185 million in 2007) to Brazil’s primary surplus. The expenditure provisioned on account of the losses in Santa Catarina affected the company’s results to the limit of the insurance deductible for material damage to the gas pipeline, amounting to US\$2 million or R\$4.4 million. According to negotiations in progress, the insurance company will probably pay TBG the amount in excess.

In 2008, TBG obtained the following classifications in Brazil’s leading business newspapers and magazines regarding its economic and financial performance:



The gas supplied by TBG is also used to generate power for various industrial activities.



Right-of-way in the middle of a Eucalyptus forest in São Carlos/SP.

Newspapers

Valor Econômico

Industry position – Transportation and Logistics	3 <sup>rd</sup>	1 <sup>st</sup>	TAM
Overall Position	343 <sup>rd</sup>	1 <sup>st</sup>	Petrobras

Gazeta Mercantil

Industry Position – Special Cargo Transportation	2 <sup>nd</sup>	1 <sup>st</sup>	Transpetro
The 100 largest state companies	27 <sup>th</sup>	1 <sup>st</sup>	Petrobras

Magazines

Conjuntura Econômica

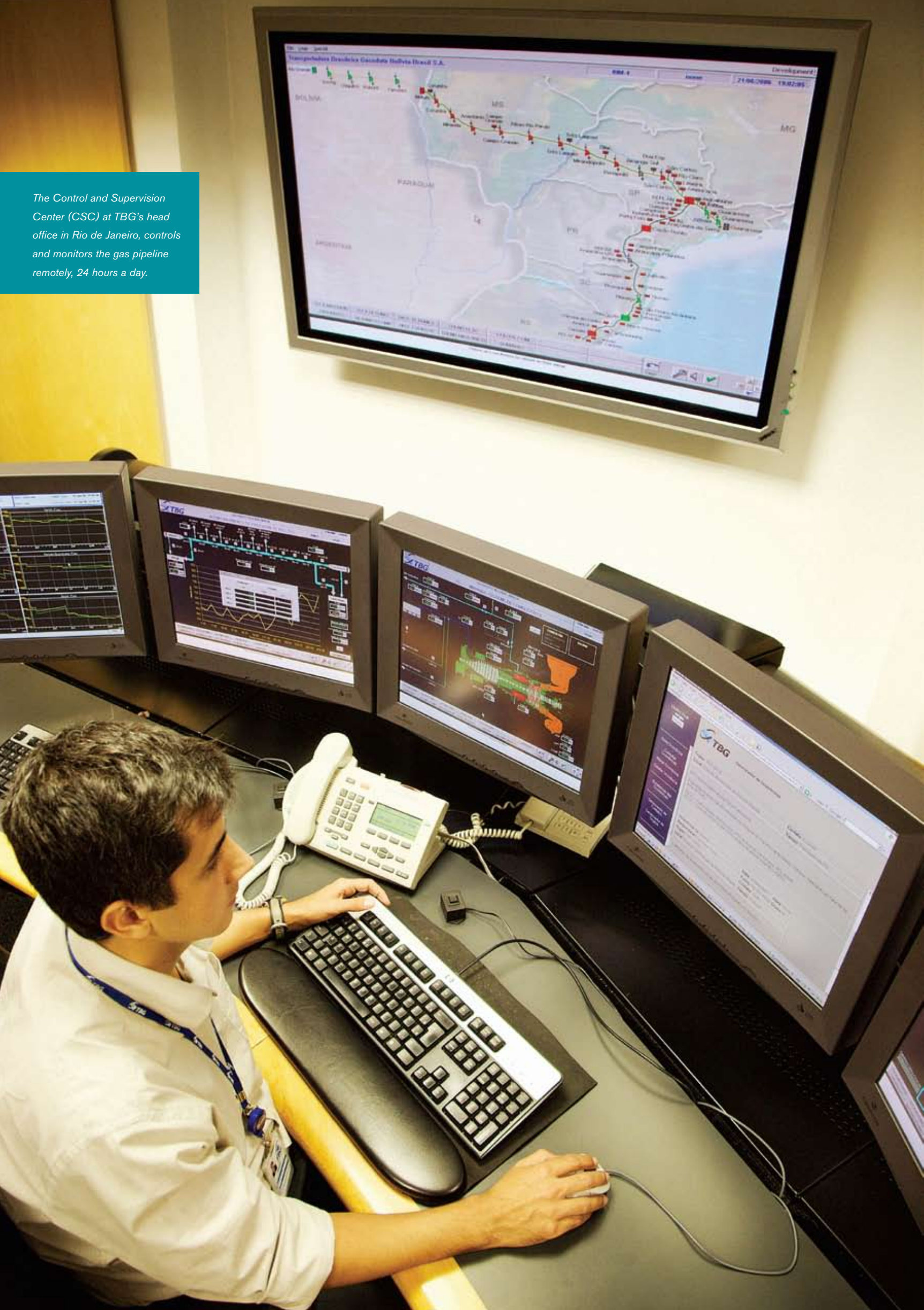
Overall Position	152 <sup>nd</sup>	1 <sup>st</sup>	Petrobras
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Exame – 500 Best and Biggest

Industry Position – Transportation	5 <sup>th</sup>	1 <sup>st</sup>	Protege
Overall Position	404 <sup>th</sup>	1 <sup>st</sup>	Petrobras



*The Control and Supervision Center (CSC) at TBG's head office in Rio de Janeiro, controls and monitors the gas pipeline remotely, 24 hours a day.*



# Relationships

It is a priority for TBG to develop closer relations with stakeholders, especially those communities that are located in the vicinity of the gas pipeline's right-of-way.

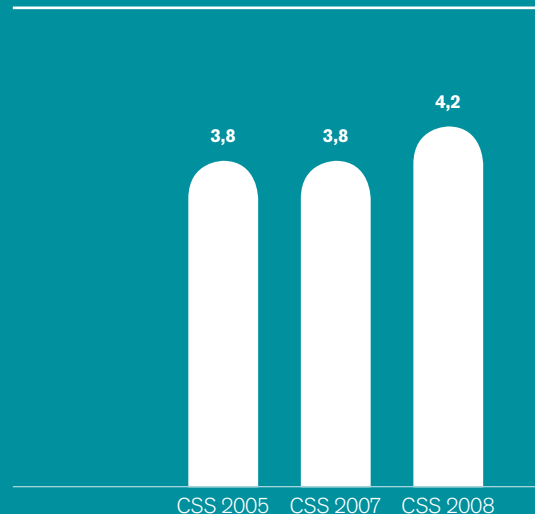
Because of its philosophy of transparency and commitment to shareholders and of respect for the environment and society, TBG establishes healthy relations with its various stakeholders, that are consistent with the values that guide its actions: Ethics, Professionalism, Cordiality, Social Responsibility, Safety and the Environment.

## CUSTOMERS

In order to consolidate the quality of its services and thus continuously improve customer satisfaction, TBG performs annual Customer Satisfaction Surveys and organizes meetings with its customers. Additionally, TBG's top management meets on a six-monthly basis to undertake a critical analysis of the Integrated Management System (IMS). These critical analysis meetings assure that customers' requirements are determined and analyzed, that strong points and opportunities for improvement are identified, as well as the need for resources and/or possible changes. These may lead to the preparation of action plans that define areas where improvements may be most useful.

The graph below shows the results of the last three Customer Satisfaction Surveys (CSS) undertaken by TBG (a scale from 0 to 5) where we may observe the improvement in the degree of satisfaction of customers interviewed during the 2008 Survey. TBG recorded a Customer Satisfaction Index of 4.2 – an improvement of 10.5% over previous surveys –, attributing this result to improvements in internal processes.

Customer Satisfaction Index





The relationship with third parties communication plan establishes a continuous partnership with communities located in the vicinity of the right-of-way to protect the pipeline.

## COMMUNITIES

The aim of the plan to communicate with third parties located near the Bolivia-Brazil gas pipeline's right of way is to establish a partnership of continuous surveillance of the latter with people who own land, live or work near the right of way, exchanging information in order to avoid incidents or accidents involving the gas pipeline. To this end, various communication materials, such as videos, leaflets, newspapers, folders, stickers, posters and gifts have been prepared.

The gas pipeline crosses around 5,000 properties in 137 municipalities of five states, that are visited periodically by TBG's technical staff to create awareness and disseminate knowledge in a structured fashion so that safety is guaranteed. Besides visiting owners, TBG also establishes contacts with city halls.

In 2008, TBG created the publication "Você e a Faixa" (The Right of Way and You), aimed at communities in the vicinity of the gas pipeline, which contains articles on safety, accident prevention, looking after the right of way, as well as other subjects such as the environment.

## TRADE ASSOCIATIONS AND PROFESSIONAL ORGANIZATIONS

TBG plays an active role in the main forums and institutions that represent the natural gas segment.

It takes part in the Pipeline Technology Center's Consultative and Business Council (CTDUT), that has facilities for the research and development of new technologies, testing of products, equipment and systems used in pipelines, as well as personnel training.

It takes part in the world's two main pipeline conferences, the Rio Pipeline Conference, promoted by the Brazilian Oil, Gas and Bio-Fuels Institute (IBP) and the International Pipeline Conference, promoted by the American Society of Mechanical Engineers (ASME) and every three years in the International Gas

Union (IGU) seminars, which congregates all the big players in the world natural gas market.

TBG is associated with the IBP and has contributed to this institution's activities and those of the National Oil Industry Organization (ONIP) through its membership of technical committees and councils.

It is a collaborative partner of the Brazilian Piped Gas Distribution Companies Association (ABEGÁS), in order to integrate itself with the agents of the natural gas chain and strengthen the sector in this country.

Besides those cited, TBG is associated with various professional organizations in the financial, human resources, industrial safety and hygiene and corporate management segments.

## REGULATORY BODY

In 2008, TBG complied with all its regulatory body's requests for information, and obtained authorization for the construction and operation of new facilities.

TBG has taken part in public hearings promoted by the ANP, offering its technical contribution and support in the preparation of new resolutions, thus consolidating its participation in the history of the development of the natural gas industry in Brazil.

In 2008, this relation was marked, amongst other events, by the completion of the Public Capacity Allocation Competition that had begun in 2007, by the technical mission undertaken by representatives of the ANP to the gas pipeline facilities located in the country's southern region and by the explanations given during the actions executed to repair the pipeline that had been damaged by the heavy rains in Santa Catarina's Vale do Itajaí region.

## SUPPLIERS

The contracting of undertakings during 2008 was affected by the domestic oil and gas market's big demand for services and equipment of this kind, obliging the company to develop new negotiation strategies in order to meet its projects' targets in terms of both the services needed and costs and schedules.

The relationship with suppliers takes place through the contracting of goods and services, governed by Decree no 2,745 of August 24, 1998 and by the TBG Contractors' Manual, published on September 18, 2007 in the Official Federal Gazette, besides specific activity-related standards.

In 2008 goods and services contracted totaled R\$ 315.6 millions the result of 2.075 contracts and purchase orders. Of this total R\$249.8 million (79%) was contracted in the domestic market and the remaining R\$ 65.8 million overseas.

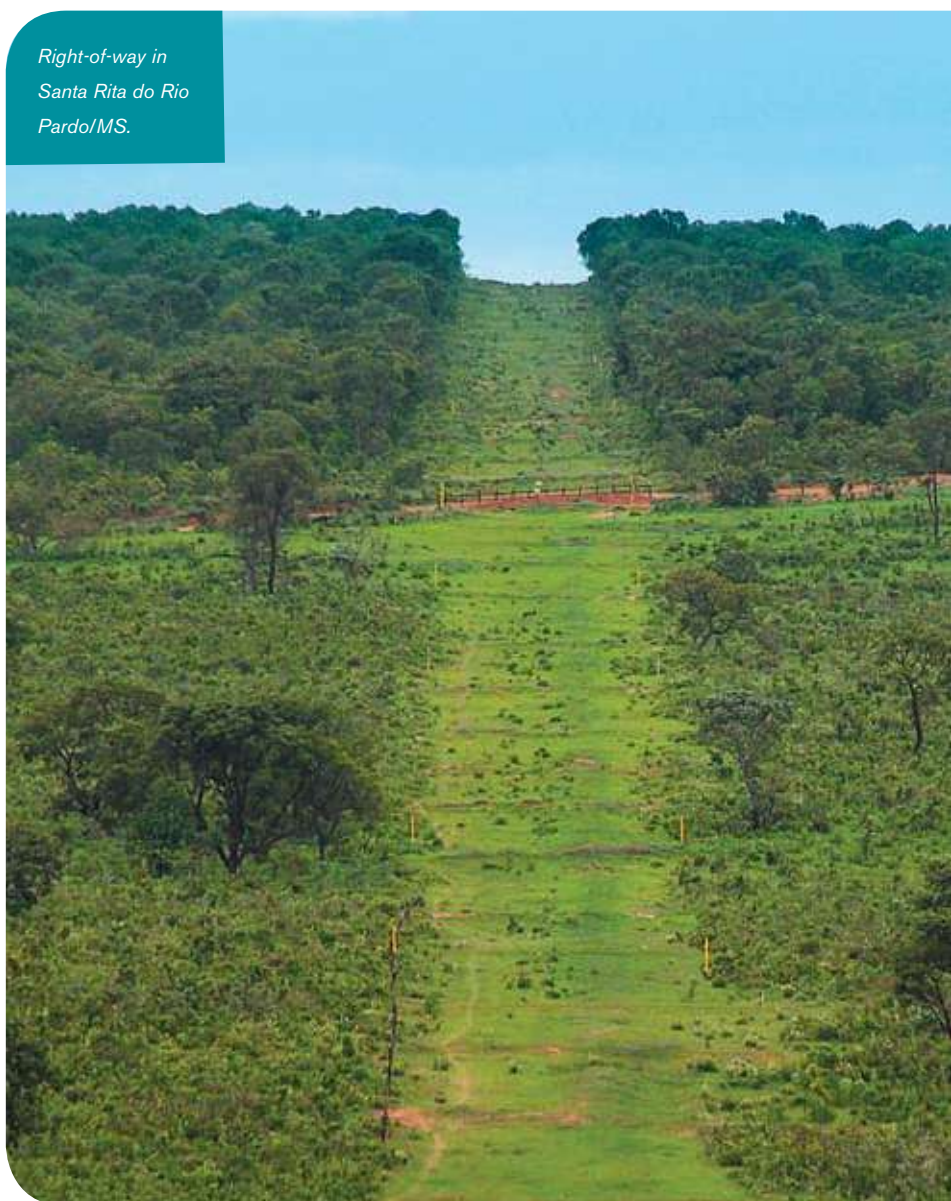
Amongst 2008's main achievements we highlight the contracting of undertakings (compression and city gate stations), the acquisition of turbines, compressors and air coolers for these stations, the contracting of gas pipeline facilities maintenance/inspection services, the contracting of informatics services and equipment, the temporary export and re-import of turbines for overhaul in the USA, and materials import management processes.

Contracting processes are conducted through a module of the integrated corporate management system that allows the recording of its stages, actions and those responsible for approval, together with document filing, thus affording transparency and reliability to the process. This system is constantly refined in order to optimize its stages, thus reducing contracting time and enabling the company to fulfill project schedules.

Given the length of the gas pipeline and the necessary maintenance of its facilities and the right of way, TBG encourages the participation of regional suppliers in its bidding processes.

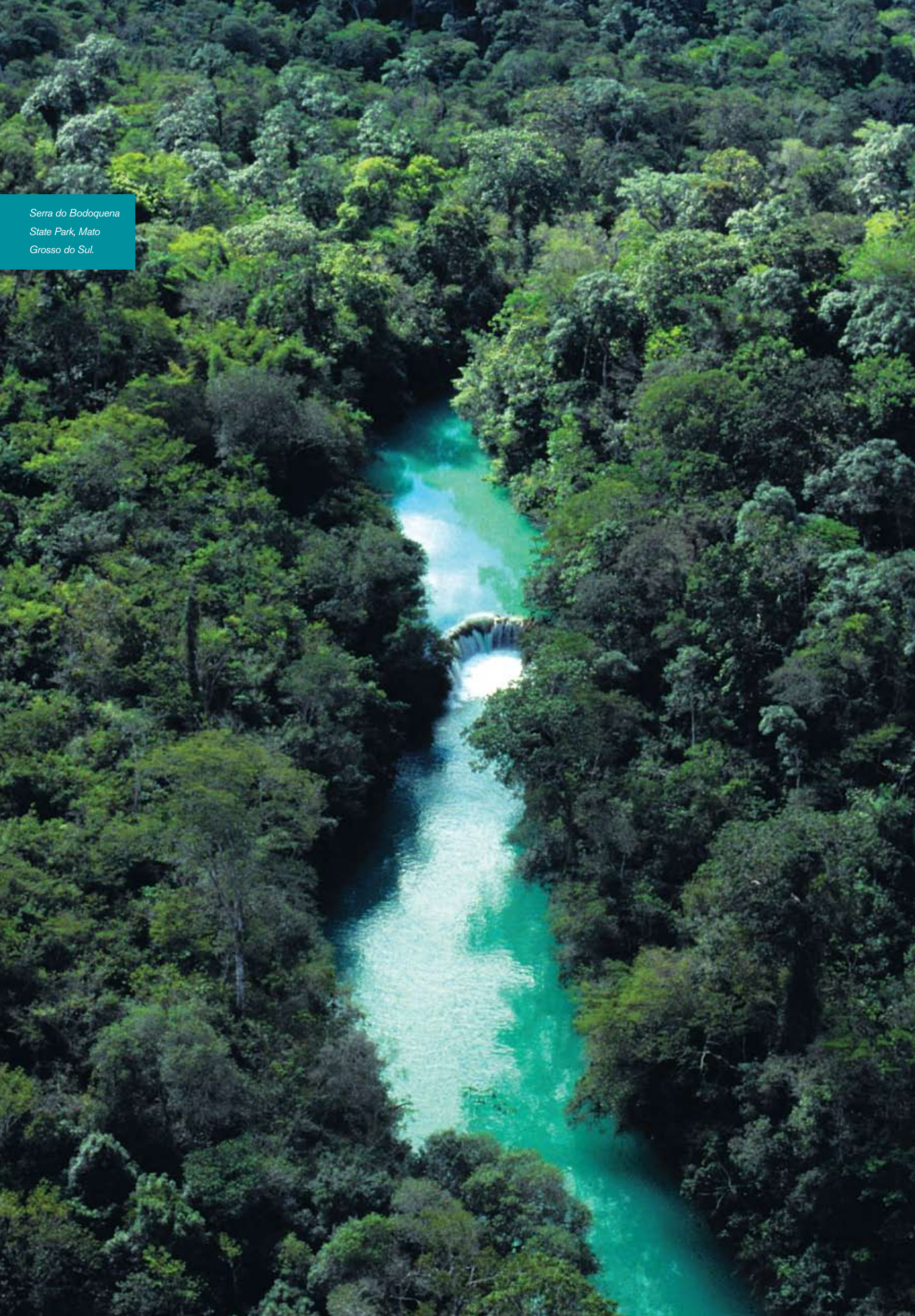
The collection of the Tax on A Service of any Nature – ISSQN, by TBG, on service contracts entered into with suppliers, amounted to approximately R\$5.0 million, distributed to the regions where the gas pipeline passes: Rio de Janeiro – Head Office – (8.4%), Midwest Regional Management Area – GRCO – (31.4%), Southeast Regional Management Area – GRSE – (43.9%) and South Regional Management Area – GSUL – (16.3%)

*Right-of-way in  
Santa Rita do Rio  
Pardo/MS.*





*Serra do Bodoquena  
State Park, Mato  
Grosso do Sul.*





# Socio-Environmental Sustainability

TBG, through its SOMOS – TBG Social Program, is committed to creating awareness regarding citizenship-related issues and global concepts of socio-environmental responsibility

## SOCIAL

### SOMOS – TBG Social Program

In its second year the the Somos Program consolidated its first results, making great strides in the conduction of its social responsibility processes. The quest for best management practices and the commitment to social responsibility were reflected in the company's winning of the "Destaque Atitude Sustentável 2008" (Outstanding Sustainable Attitude) prize, awarded by Rio de Janeiro's Chamber of Commerce and Industry (CAERJ) to the best social responsibility program, for its management process. The Somos Program is composed of a series of management tools, actions and social projects that seek to promote economic and intellectual development opportunities and the valuation of local potentialities allied to sustainable growth.

TBG performs an annual assessment of its social performance, thus enabling all areas of the company to identify and promote improvements in processes,

assimilating the socio-environmental aspects that are nowadays standard requirements in any certification process, and incorporating socially responsible business practices aligned with its strategic planning.

In its third year, TBG's Social Report, entitled "Diálogos Sustentáveis" (Sustainable Dialogues) presented some ideas regarding the various paths that can lead us closer to a sustainable world, based on the partnership between companies, social organizations and the state.

In 2008, in order to perform a better assessment of its social investments' performance, TBG created measurement methodologies to select new projects and assess the results of current projects, aligned with existing guidelines for TBG's Social Responsibility Policy.

*Outstanding Sustainable Attitude Trophy 2008, granted by the State of Rio de Janeiro's Chamber of Commerce and Industry (CAERJ), to TBG's "Somos" social program, which was voted Brazil's best social program.*







*A pupil of the Mário Sabino Municipal Primary School which is supported by the Zippy's Friends Program, in Penápolis/SP.*



*An exercise of the Zippy's Friends Program being applied in the Joana Morelli Cunha School, in Glicério/SP.*

Contribute to creating awareness regarding citizenship and global concepts of socio-environmental responsibility is one of the commitments of the Program, which is undertaken through Somos Magazine, an important tool for the promotion of social responsibility, not only inside the Company, but also by reaching a wider audience and encouraging discussions of several issue related to the theme. A poll survey organized at the beginning of 2008 showed that employees are satisfied with the publication, highlighting the columns "Dicas Sustentáveis" (Sustainable Tips) and "Somos Voluntários" (We are Volunteers), and recycling and conscious consumption as the most interesting subjects.

We highlight the following actions in 2008:

#### **"Projeto Amigos do Zippy" (Zippy's Friends Project)**

An methodology to develop emotional skills, with an insect called Zippy as its playful symbol. It is used with six to seven year-old children, and applied by teachers themselves in the classroom.

In a partnership that began in 2007, TBG supported the installation of the project in schools in the cities of Penápolis, Avanhandava and Glicério, all in the state of São Paulo, which resulted in the project's adoption by local city halls. In 2008 the partnership was taken to the cities of Promissão in São Paulo, and Igrejinha, in Rio Grande do Sul, totaling 15 schools, 726 children and 49 educators.

#### **"Projeto Bom Aluno" (Good Student Project)**

Through the development of educational skills, this project encourages good students from the public school network to become agents in the transformation of the socioeconomic situation.

The partnership with the Bom Aluno Institute which began in 2007, was continued in 2008, providing support for 10% of the students enrolled in the program in seven cities in the state of Paraná.

#### **“Projeto Pérola” (Pearl Project)**

Digital inclusion and skills development methodology taught to young people.

TBG's partnership with the Pérola Project, which began in 2005, led to the formalization of a new support for the Pérola Educational and Professional Skills Development Association in three São Paulo municipalities, and benefitted 480 people in 2008.

The support for this project in these municipalities revealed a high level of articulation between the social organization and municipal education secretariats.

#### **Corporate Donation Campaigns**

TBG employees were involved in the “Campanhas do Agasalho” (Jacket Campaigns) and “SOS Gaspar” that collected, respectively, 474 jackets donated for old people, children and families of institutes in Rio de Janeiro, São Paulo, Mato Grosso do Sul and Santa Catarina and 4,300 items (food, clothes, medicine and cleaning materials), as well as cash donations to help the communities of the municipality of Gaspar in the State of Santa Catarina, that were hard hit by the heavy rains.

The aim of these actions was encourage employees to take part in social activities and do volunteer work, thus promoting more rewarding interpersonal relationships and a better organizational atmosphere, besides increasing awareness of the role civil society can play in improving conditions of life in society as a whole.

## **ENVIRONMENT**

TBG's actions are guided by a concern with environmental sustainability, internalizing the concepts of social and economic progress in harmony with the environment. One of the TBG's values is the preservation of the environment and for this reason it takes all possible precautions in relation to the environment in its daily operations or when constructing new facilities.

TBG's environmental management is structured around the principles of the NBR ISO 14001 norm and focuses on the prevention or minimization of any environmental impacts that may be caused by its activities. To this end, it possesses environmental management procedures that aim at improving the company's performance, as well as complying with prevailing legislation.

In 2008, as part of TBG's unceasing quest to enhance the organization's environmental performance, the liquid residues and effluents master plan was reviewed and improved regarding the management



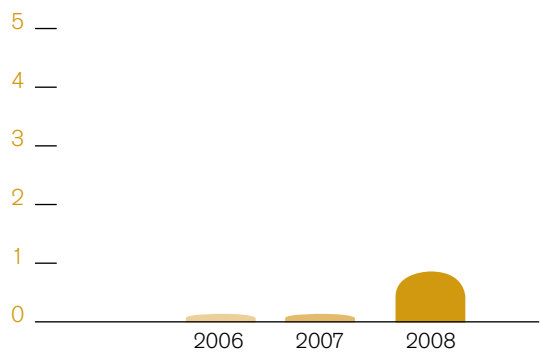
*Paraguay River, in Porto Morrinho, Corumbá/MS.*



of contractee residues. Moreover, the monitoring of atmospheric emissions that is undertaken by Petrobras's Atmospheric Emissions Management System (SIGEA), was maintained.

One must highlight the acquisition of six gas turbines for the future Paulínia and Capão Bonito compression stations that emit 96% less NOx than conventional turbines.

### Accidents with Environmental Damage



The company reviewed environmental targets and programs and their respective environmental performance indicators for the 2009-2010 period. These indicators include environmental penalties because they directly reflect compliance with legal requirements, mainly those defined in the environmental licensing process, and accidents that cause environmental damage, which reflect the environmental management process. Both indicators have targets equal to zero.

The torrential rains and landslides that hit the state of Santa Catarina in November 2008, causing the pipeline's rupture, the accidents with environmental damage indicator from attaining zero.

During the emergency all due care was taken with the environment, such as the characterization of damaged vegetation, management of residues generated and prevention of oil leakages from the repair equipment.

Environmental assessments were performed of the impacts on the local vegetation. A large part of the vegetation at the site of the event was destroyed by landslides and will be replanted.

The Brazilian Environmental and Renewable Natural Resources Institute (IBAMA/DF), the licensing body of the Bolivia-Brazil pipeline, was immediately informed about the incident. During the emergency, as well as during the repair work, the environmental body was constantly informed about the ongoing situation.

Besides the IBAMA/DF, TBG cooperates closely with the Chico Mendes Conservation and Biodiversity Institute (ICMBio), the institution that manages the Federal Conservation Units and with environmental bodies in the states crossed by the pipeline (MS, SP, PR, SC, RS). TBG negotiates environmental compensations for the gas pipeline's construction with these bodies.

In 2008, TBG obtained 5 installation licenses (LI) and two operation licenses (LO) from the IBAMA/DF, as well as the respective construction authorizations (AC) and operation authorization (AO) from the ANP.





*Sign showing the right-of-way in the Tietê River, São Paulo.*





*Pipes of the Campo Grande Compression Station, Mato Grosso do Sul.*



# Outlook

TBG's priority in 2009 will be to continue transporting natural gas efficiently and safely, fulfill its customers' requirements and focus on reducing costs, thus assuring that it will achieve the results desired by its shareholders.

Despite the world economic slowdown, the Company plans to invest more during the next three years – 2009, 2010 and 2011 – than during the previous three, disbursing R\$311 million, R\$110 million and R\$74 million, respectively.

TBG plans to invest R\$36 million in 2009 to install city gate stations in the São Paulo municipalities of Iacanga, Ibitinga and Valparaíso, and a new city gate station to supply the Presidente Getúlio Vargas Refinery (REPAR) in the state of Paraná.

Regarding the expansion of gas transportation and delivery capacity, TBG, in 2008, began the Southern Section Expansion Project. This project with its forecast investments of R\$253 million (two hundred and fifty three million reais) will be continued until its completion in 2010. This project will meet Petrobras's need to increase the gas pipeline's capacity by 5.2 million m<sup>3</sup> per day in the section between the cities of Paulínia/SP and Araucária/PR.

In coming years, TBG will continue to operate a pipeline transportation system that is vital for the country's natural gas supply system. This means that the high percentage of approximately 50% of the natural gas market that is currently transported by TBG, using gas from Bolivia, will continue to be very important for the country.

Given the new discoveries of hydrocarbon reserves and the development of other sources of gas, besides that of Bolivian origin, it will be possible for the Company to add new sources of gas supplies in the years ahead.

Since the year 2000, TBG has made a great quantitative and qualitative leap in the segment in which it operates. In coming years it will continue to play its role as a socially responsible citizen and reliable transportation company with advanced techniques and the ability to respond promptly to any new challenge.

The TCQ transportation contract, involving 18 million m<sup>3</sup> per day, expires in 2019, while the other contracts involving complementary volumes such as the TCX and TCO contracts, will only expire in 2022 and 2041 respectively. This will give the company's businesses a long lease of life, and if it looks after its assets adequately, TBG will be able to continue operating for many years, fully equipped to face the challenges that lie ahead.





Seal of the Outstanding Sustainable Attitude 2008 Trophy/  
The State of Rio de Janeiro's Chamber of Commerce and  
Industry (CAERJ)



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- Fernando Bergamaschi: pages 29 [Araucária City-Gate] and 39
- Fernando Fazzane (Stock Exchange): page 16 [Electricity pylons]
- Geraldo Falcão (Petrobras): page 5
- Ítalo Mazzarela: pages 21, 26 [Cerrado State Park], 45 and 52
- Jorge Vicente (Stock Exchange): page 46 [Capybara]
- Licínio Nascimento (GRES/TBG): page 32 [Oscar Niemeyer Museum]
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