

Annual Report 2017

Finding
new ways for
the gas market.



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Message from the Chairman of the Board of Directors

TBG has completed 20 years pioneering and overcoming challenges in the natural gas market. Our history began on April 18th, 1997, when the company was founded, with gas transportation beginning in 1999. In two decades, the company has grown following the best governance practices in managing its resources, and supported by a highly-qualified team that provides services with quality and respect to its stakeholders.

The company was elected one of the 500 best companies in Brazil, according to the ranking of the Brazilian magazine Exame in special edition Best & Greatest 2017. In the transport segment, it appears in 1st place as "Value added by employee", the 2nd most profitable, the 6th best company and the 10th in current liquidity index. In the general rank, it is the 4th most profitable company and the 4th in the "Value added by employee".

After dealing with a period of the slow rhythm of the global economy, in 2017 the Brazil economy began recovery. The country is showing clear signs of GDP growth, inflation control and low interest rates, which creates a positive environment for investments to pick up, indicating that the year of 2018 will be even better.

The natural gas industry gathers favorable conditions and presents potential for growth and development, with gas being positioned as an important transition and supportive element for a clean energy-oriented market. In this context, TBG is ready to contribute with its expertise towards maturing the Brazilian natural gas market.

The company kept its protagonism and active participation in the Gas to Grow Initiative of the Brazilian Ministry of Mines and Energy – MME, to define changes in the legal and regulatory framework with the participation on the Transport, Tax and Processing sub-committees. It also sponsored the three main events in the natural gas sector in Brazil this year: "*Fueling the Future, Energy for Growth*", the "18th Natural Gas Seminar", and *Rio Pipeline*.

In 2019, considering the next Open Season process, TBG expects the future available capacity to be hired by market agents. Likewise, it intends to expand and provide the efficient use of its gas pipeline network with isonomy of access. This will be an opportunity to check the effective demand. In 2019, TBG expects that all future available capacity will be hired through the next Open Season Process. The Open Season will also be an

opportunity to test market demand, generating opportunities to the pipeline expansion. An increase in the number of agents and a diversification of the company's client portfolio are expected.

In the logistics scenario, the Brazilian gas market will be supplied with an important production source in national territory. Among others, this will be an instrument for monetizing the pre-salt reserves and the transport activity will be a strategic link in the chain in this sector.

Finally, I would like to acknowledge and congratulate the members of the board of directors, the managers and all our team of professionals. For a highly qualified, innovative company that is committed to its results, the challenges of the future are overcome every day.

Ricardo José Lourenço de Mello
Chairman of the Board of Directors



Message from the Chief Executive Officer

The triumph of a company is directly connected to its ability to innovate, to motivate its workforce and to expand its knowledge. Transforming learning into new technologies and efficient management processes becomes as important as valuing the people who are the protagonists in our path.

TBG's history of success has only been possible thanks to the professionals who set forth a culture of commitment, professionalism, safety, ethics and respect. That is TBG culture! The maturity we have reached over 20 years comes with technical ability, and bold commitments and goals. Our purpose now is to meet market demands in a sector that is reinventing itself.

Pioneering is part of TBG, and until 2019 we will make our first Open Season, where we will offer to the market 18.08 million m³/day of natural gas transportation capacity. In 2017, our technical team was dedicated to preparing documents for this capacity offer, and also actively participated with the MME and the ANP in discussions on the new natural gas legislation in Brazil.

Excellence has always been on the company's radar: we have maintained our historical record of 3 years and 282 days without accidents with medical leaves. The recordable accident rate (TAR) was kept well below the maximum admissible limit, at 0.58. Additionally, our operation has reached the mark of 99.5% compression system reliability.

This was also a year of firsts: TBG was the first gas transporter to receive the Inmetro accreditation under ABNT NBR ISO/IEC 17025:2005, granted to its Calibration Service Management System. Additionally, we have maintained and expanded the transport system operational flexibility, receiving on average 6 million m³/day of processed gas in the Brazilian territory on 100 days throughout the year.

This was a positive and challenging year, wherein we focused on our efficiency and management and started activities to set forth the 2030 TBG Strategic Planning. The "Management, Contract Surveillance and Compliance" workshop reinforced our guidelines for contract management and compliance policy. And to strengthen the company's safety culture with commitment, responsibility and zero tolerance for deviations, all employees have completed the training "The 10 HSE Golden Rules".

In compliance with current legislation and to meet market demands, we have changed our organizational structure by creating the Compliance, Governance and Internal Controls Management, the Business Development and Regulatory Affairs Coordination, the Coordination for Relations with Communities, the Institutional Communication Coordination, and included Risk Management under the Strategy, Planning and Risks Management.

TBG ended 2017 having, once again, great economic and financial results, and distributed the largest amount of

dividends in its history, corresponding to the total amount of net profit accrued over the fiscal year of 2016. Between April and October, we have paid the amount of R\$ 847 million as dividends. Total Operational Revenue was R\$ 1.63 billion. Our EBITDA was calculated at R\$ 1.06 billion, and the net profit recorded was R\$ 542 million.

I am grateful for the opportunity of managing the company's business with the aid of a qualified and dedicated team. I hope to continue to count on the commitment of all employees with providing logistics solutions for natural gas with safety, competitiveness and profitability, always maintaining the desired standard for meeting market demands.

Our pride in being part of a team of winners pushes us forward to overcome all challenges.

Renato de Andrade Costa
Chief Executive Officer

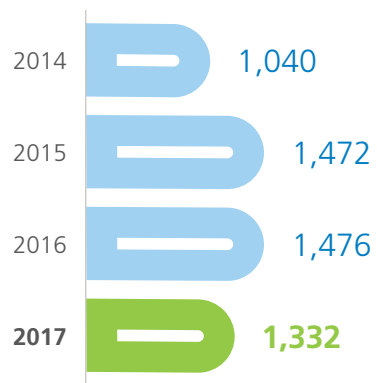




Main Results

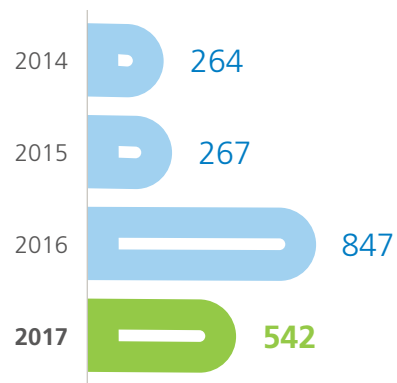
NET OPERATIONAL REVENUE

R\$ Million



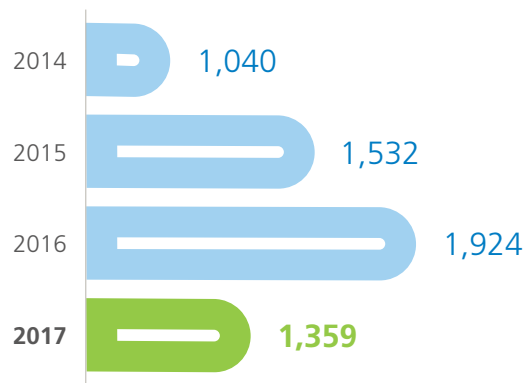
NET PROFIT

R\$ Million



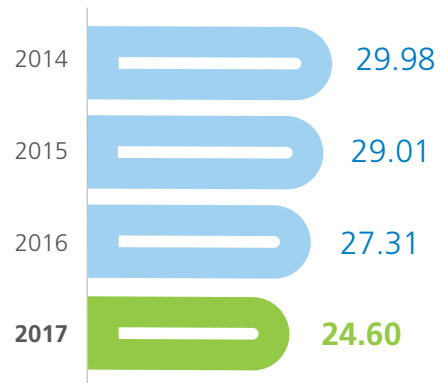
VALUE ADDED

R\$ Million



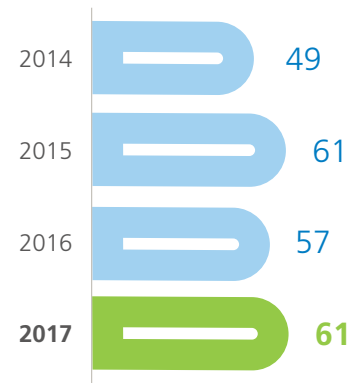
AVERAGE VOLUME TRANSPORTED

MM m³/day



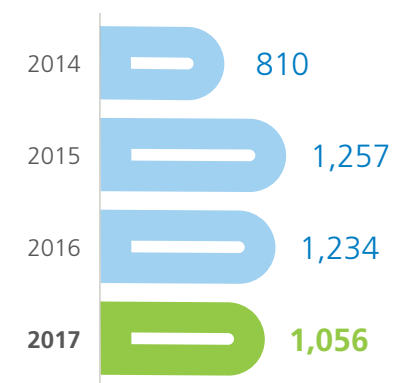
INVESTMENTS

R\$ Million



EBITDA

R\$ Million



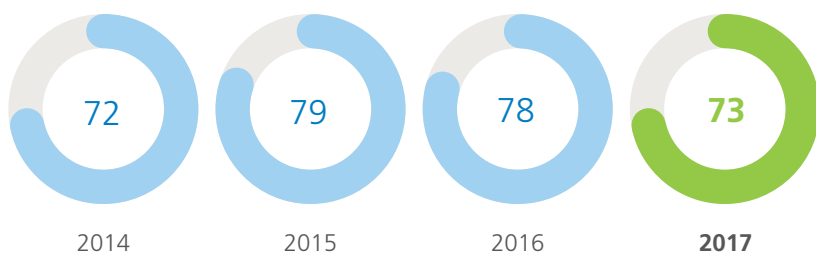
São Carlos' (SP)
Compression Station



PROFITABILITY

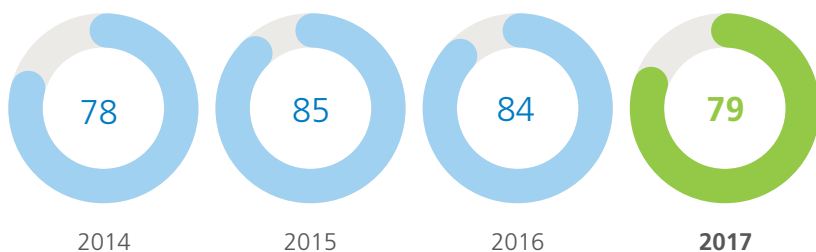
Gross Margin

%



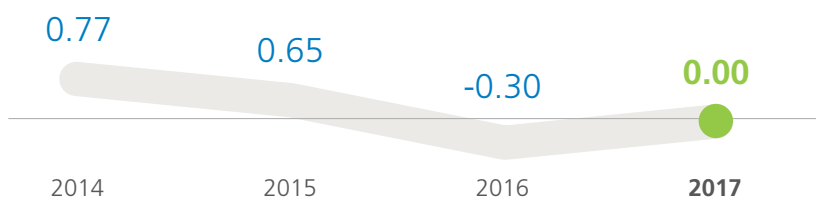
EBITDA on Net Revenue

%



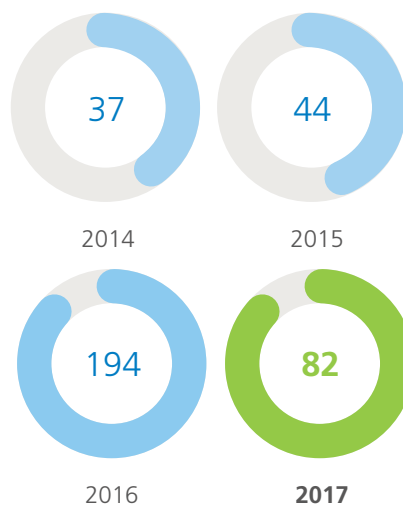
Net Debt on EBITDA

%



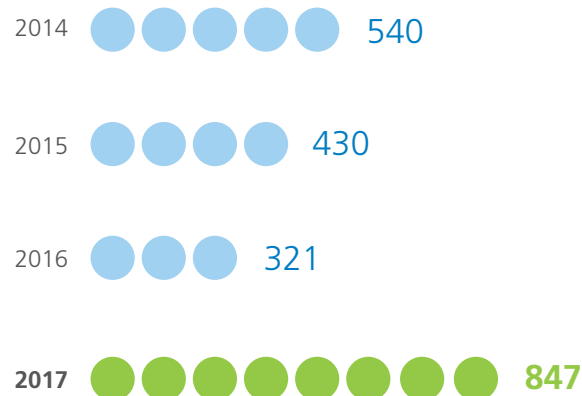
Profit on Shareholder's Equity

%

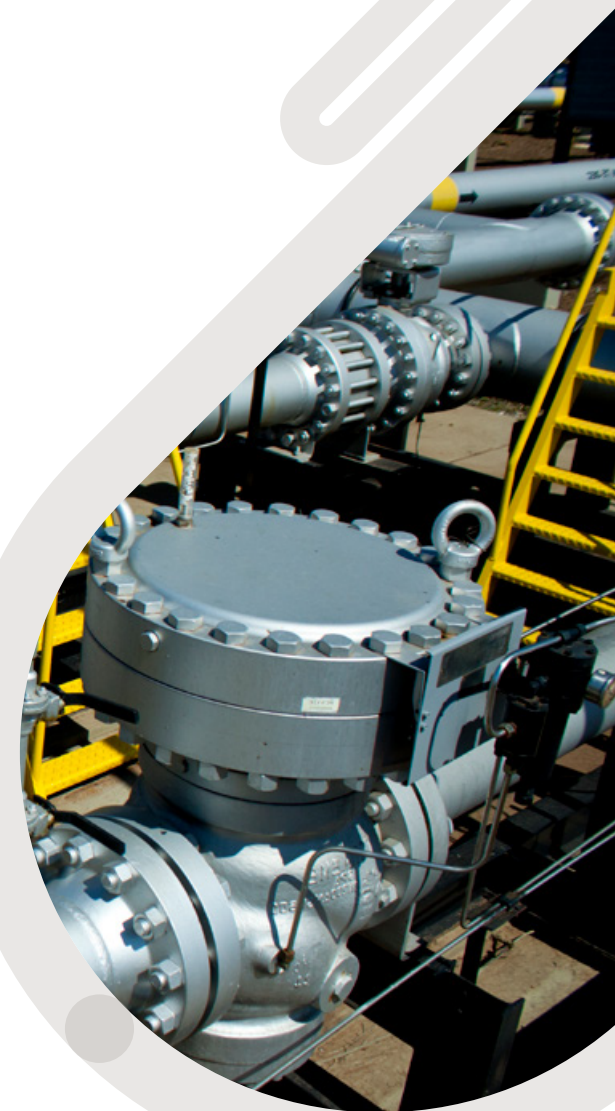


Dividends Paid

R\$ million



Pressure
reduction valve of
PRS Paulinia (SP)

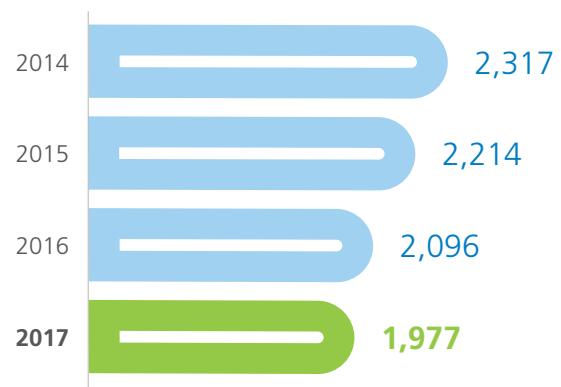




FINANCIAL

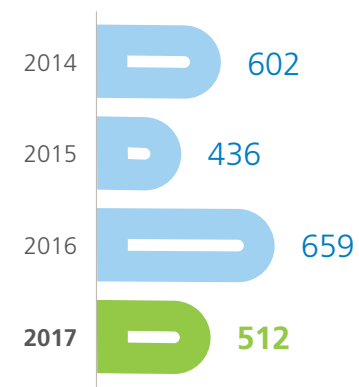
Permanent and Intangible Assets

R\$ million



Net Worth

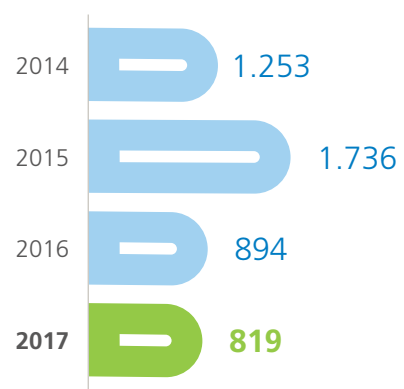
R\$ million



Indebtedness

(linked to US dollar)

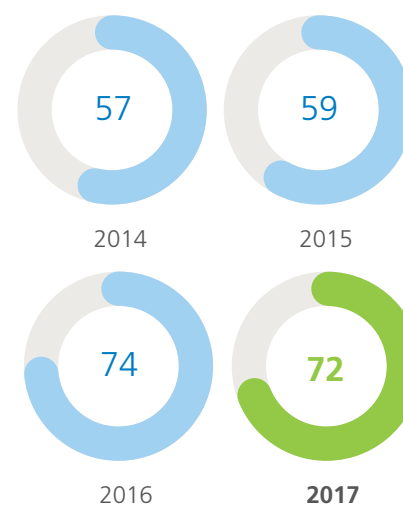
R\$ million



Capital Structure

(Third-party capital/total liabilities)

%

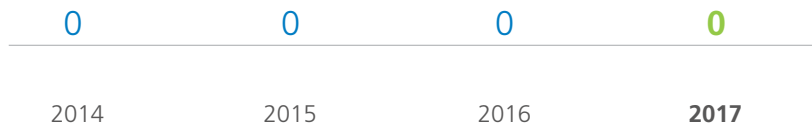


Gas heating system
of the Jaguariúna (SP)
natural gas City Gate

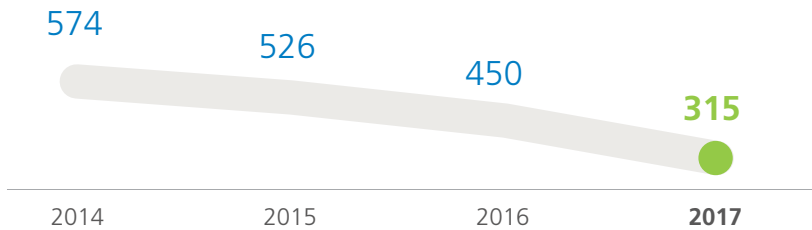


OPERATIONAL INDICATORS

Delivery Failures

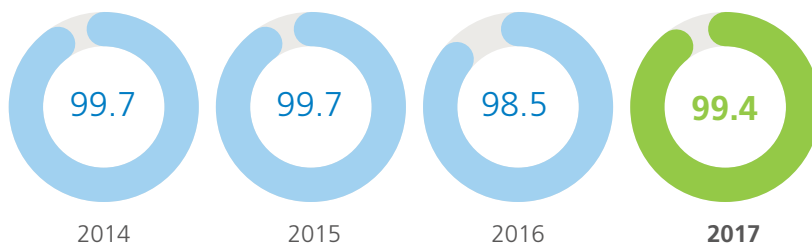


Gas Hotline Service



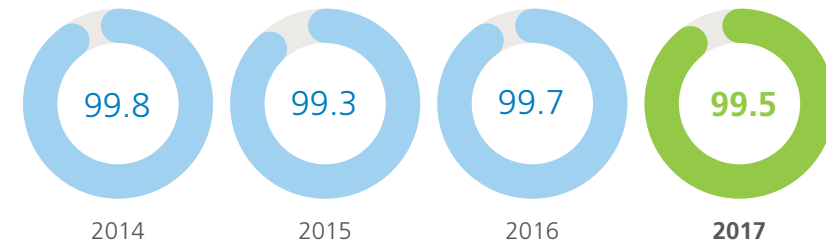
Customer Satisfaction Level

%



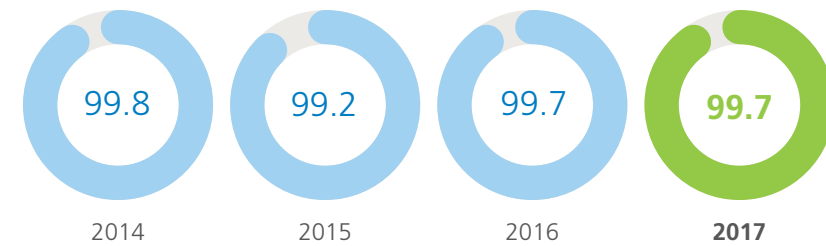
Compressor System Reliability

%



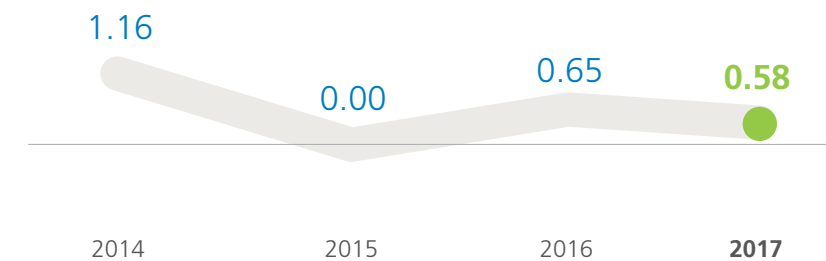
Preventive Maintenance

%



Total Recordable Injury Frequency Rate

(TRI)





HUMAN RESOURCES

Number of Employees



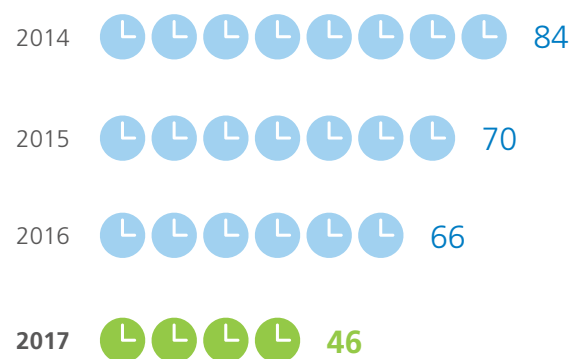
Gross Operating Revenue per Employee

R\$ million



Hours of Training

per employee/year



Suction and discharge
piping of the Paulinia (SP)
Compressor Station





TBG





Profile

About us

TBG was founded on April 18th, 1997, when Petrobras and Yacimientos Petrolíferos Fiscales Bolivianos (YPBF) signed a natural gas sale and purchase contract. The company is the owner and operator of the Bolivia-Brazil Gas Pipeline.

The negotiations between the two countries for sale and purchase of oil and gas went back to the 1930's, and the need for a gas pipeline was imperative. After six decades of technical studies, planning and contracts, the project for its construction was approved under the Brazilian Federal Government program "Brazil in Action". Financed by national and international organizations, the dream came true in 1999, when the works were completed. Approximately 2 billion dollars were invested and about 25,000 direct and indirect jobs were created during that time. Two hundred thousand 12-meter long pipes have been welded and buried in various kinds of soil and relief, throughout the Midwest, Southeast and South regions of Brazil. The gas pipeline is 2,593 kilometers long in total, crossing 136 municipalities.

Its Northern Section, connecting the cities of Corumbá/MS and Paulínia (SP), became operational in 1999, with two Compressor Stations and a maximum transport capacity of 18.08 million m³/day. One year later, the Southern Section was inaugurated between Paulínia (SP) and Canoas (RS). In a short time frame, the company has fulfilled its contractual commitment with its main shipper.

The year of 2003 was a milestone in TBG's history, by reaching initially 24 million m³/day and, in June, by reaching the maximum expected capacity of 30.08 million m³/day. During that time, eight Compressor Stations were inaugurated

and, two years ago, we also started to transport natural gas produced and processed in Brazil.

With a lean and highly-qualified structure, TBG delivers natural gas to seven local distributors that, together, reach over 1.2 million final consumers. The company also supplies to thermoelectrical plants and refineries along the gas pipeline's route, which contributes in a sustainable form to national energy security.

Over two decades, the company has grown following the best practices in managing its resources, driven by a workforce that

has contributed day after day to building one of the most profitable and reliable Brazilian companies.

TBG has accrued expertise in implementing, operating and maintenance of pipelines, compressor stations, city-gates and natural gas measurement systems services. This knowledge enables the company to offer new natural gas transport and shipping solutions. Its business portfolio also includes operation and maintenance services for these assets, besides acting technically on basic and executive engineering.

Shareholding Structure

TBG is a Brazilian closed corporation with the following equity share:

51%

Petrobras Logística
de Gás S.A

29%

BBPP Holdings Ltda

12%

YPFB Transporte
do Brasil Holding Ltda

8%

GTB-TBG Holdings S.A.R.L.

Our history of
twenty years of
achievements
and a future
**that begins
everyday.**



Our Activities

We remotely operate 15 Compressor Stations (*Ecomps*), 50 City-Gates (*PEs*), among other surface facilities that ensure the continuous operation of our transport system.

Our Supervision and Control Center (CSC), located at TBG's headquarters in Rio de Janeiro (RJ), act with professionals controlling the gas pipeline operation remotely. We are on-call 24 hours a day, every day. We have technical teams inspecting the whole pipeline, including the right-of-way and the operating facilities.

Operating, maintaining and implementing transport gas pipelines safely, sustainably, and with operational effectiveness, agility and reliability are the parameters that guide TBG's activities. One of our efficiency marker is our Customer Satisfaction Survey, held annually, to measure the company's performance with regards to the services it provides. In 2017, our Customer Satisfaction Level reached 99.4%.

The operational flexibility of our facilities enables shipping both Bolivian gas and the gas processed in Brazilian territory, by inverting the flow at the Measurement Station of the Campinas-Rio Gas Pipeline (*Emed Gascar*).





Our services:



NATURAL GAS LOGISTICS ON THE GAS PIPELINE

Transmission services on existent capacity can be hired through firm or interruptible service contracts.



OPERATION, MAINTENANCE AND METERING SERVICES

TBG provides O&M services for transport assets and natural gas shipping. The Calibration Service Management System Laboratory located at Hortolândia (SP) is accredited by Inmetro, pursuant to ABNT standard NBR ISO/IEC 17025:2005, and can provide calibration services for temperature and pressure networks.



CONSULTING AND TRAINING

The company also provides services in pipeline engineering, carrying out and supporting conceptual, basic and executive designs for building and expanding gas pipelines and their components, such as compressor stations and city-gates.



NATURAL GAS LOGISTICS ON NEW ENTERPRISES

TBG seeks to identify incremental and new gas transmission capacity opportunities either directly or indirectly via strategic partnerships.



Organizational Identity



MISSION

Operate, maintain and deploy transportation gas pipelines with safety and sustainability.



VISION

Be competitive and grow in the natural gas pipeline transportation market.



VALUES

Commitment, Respect, Enthusiasm and Simplicity.

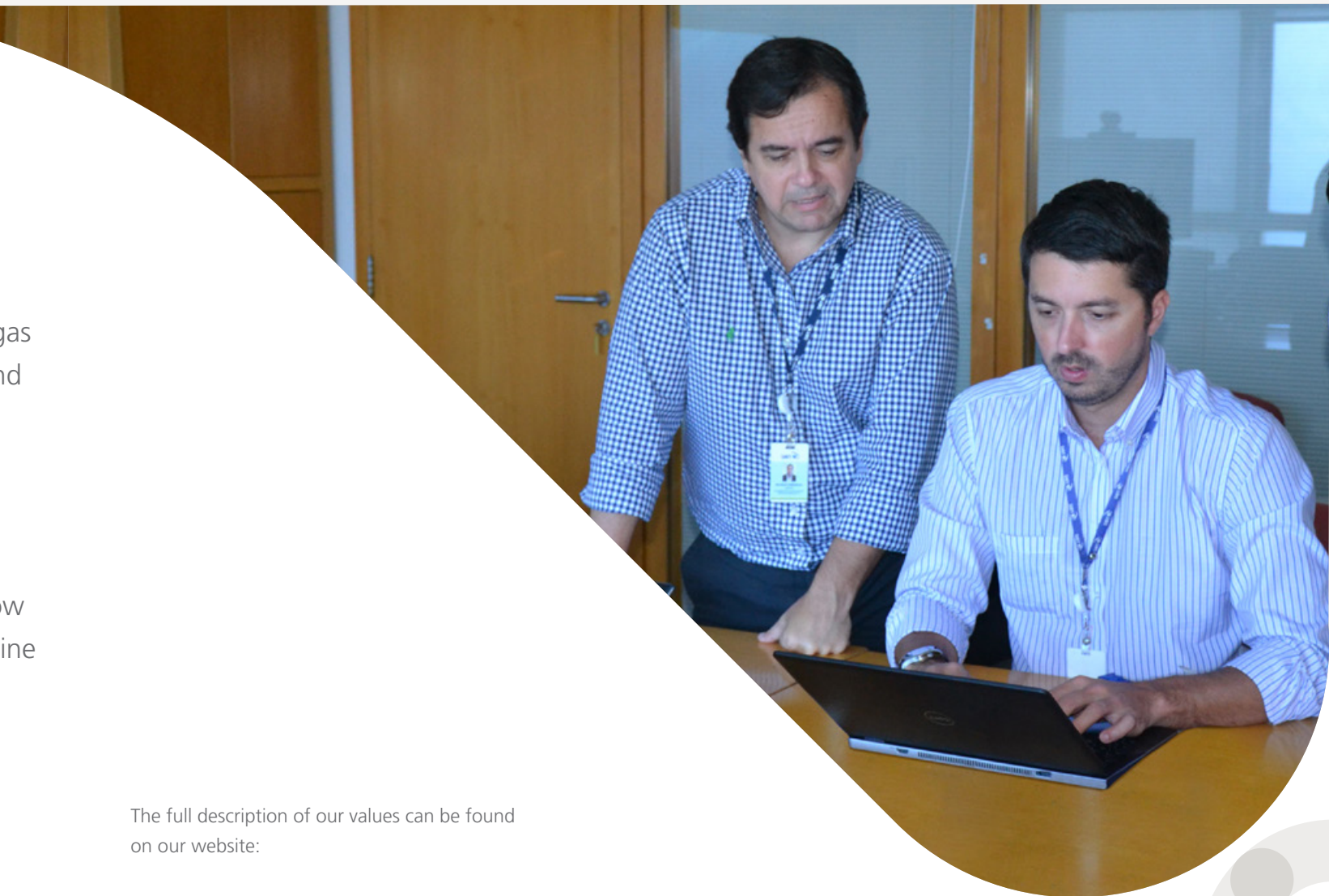
The full description of our values can be found on our website:



www.tbg.com.br



under section:
TBG – Profile – Company Identity.





Management Policy

TBG is currently the only natural gas transporter in Brazil with certifications in the standards:



ISO 9001:2008

Quality Management Systems



ISO 14001:2004

Environmental Management Systems



OHSAS 18001:2007

Occupancy Health and Safety Management Systems



ISO 10012:2004

Measurement Management Systems



ISO 17025:2005

Laboratory Management Systems

Implemented in the company since 1999, the Integrated Management System (SGI) has purposes and goals aimed at continually improving and perfecting our processes, focused on quality, measurement, the environment, and occupancy health and safety.

We have reached a brand new milestone in management system certifications

Maintenance of the gas utility system
of São Carlos (SP) Compressor Station





Corporate Governance

Mechanisms that ensure our efficiency

TBG has perfected its governance this year by using instruments guided by the principles of reliability, responsibility, transparency and ethics, to ensure best practices and add value to the company's management.

The Corporate Governance guidelines are listed in the Organization Basic Plan, a document prepared in accordance with the company's Bylaws.

The Corporate Governance structure has deliberative and executive bodies acting in an integrated and coordinated manner, and its attributions follow the provisions of the Brazilian Corporate Law (Law No. 6,404/76) and of TBG's Bylaws.



An Independent External Audit is hired to examine the company's accounting statements at the end of each fiscal year. The statements are approved by the Ordinary General Shareholders' Meeting (*Assembleia Geral Ordinária*, AGO). Every five years, the hired company is changed to ensure isonomy, independence and transparency in the auditing process.

TBG also counts on commissions and committees created to assist the Executive Board in the decision-making on matters of relevance for the organization:

- **Ethics Commission;**
- **Monitoring and Contract Management Supervision Committee (CASGC);**
- **Business Risk Management Committee (CRISC);**
- **Supply Management Committee (CGS);**
- **Organizational Planning and Development Committee (CPDO);**
- **Human Resources Committee;**
- **Corporate Security Committee (COMSEG);**
- **Information Technology and Telecommunications Committee (COMITI);**
- **Internal Commission for Energy Conservation (CICE);**
- **Internal Commission for Accident Prevention (CIPA).**



Relevant Facts





Open Season

The Open Season is a procedure provided by law (Law No. 11,909/2009) and its purpose is to hire gas transport capacity in existing pipes or pipes to be constructed or expanded. Described by Resolution No. 11/2016 of the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP), it ensures equal conditions to those who are interested in accessing natural gas transport services.

The transmission capacity offer that will be available in the Bolivia-Brazil Gas Pipeline starting on 2020 results from the end of an existent transmission contract with Petrobras, named "Transportation Capacity Quantity" (TCQ Brazil).

In three contracts we currently have with Petrobras, the transport of 30.08 million m³/day of natural gas is agreed upon. Together, they answer for separate portions of use of the gas pipeline capacity, as well as TBG's revenue generation. The TCQ Brazil contract totals 18.08 million m³/day. This is the capacity that shall be offered via the Open Season, in a transparent process open to all interested parties.

The commitments made under the current contracts have been performed following the postal contract modal. This means the contracting party reserves the right to inject and withdraw the gas with full flexibility at the receiving and delivery points, limited only to the total capacity contracted and/or to the technical capacity of the gas pipeline facilities. In postal contract modal, there are no reserves for specific capacity per stretch or per receiving and/or delivery point. The fourth contract, named CPAC 2007, sets forth the route to be travelled by the gas and lists the city-gates to be serviced in each area.

As announced in the media, Petrobras has shown interest in reducing its share of the natural gas market supporting the adoption of a new contracting model, and no longer intends to be the exclusive provider for the Brazilian market.

In this context, the Ministry of Mines and Energy (MME) created a work group named "Gas to Grow Initiative", where natural gas industry players were able to discuss the law changes and modernization. The group coordinated by the MME had the participation of ANP, the Energy Research Company (EPE), the Brazilian Institute of Oil, Gas and Biofuels (IBP), the Brazilian Association of Independent Electric Energy Producers (APINE), the Brazilian Association of Large Consumers (ABRACE), the National Industry Confederation (CNI), the Brazilian Association of Piped Gas Distribution Companies (ABEGAS), among others. TBG has actively participated in the subgroups, discussing themes such as transport and stocking, outflow and processing, and tax rules.

The "Gas to Grow Initiative", made available for a call for submissions on October 03rd, 2016, set forth as one of its strategic guidelines the implementation of the Entry-exit System for transport capacity reservation, as well as implementing a cost reflective fee system in natural gas transportation.

An opportunity and challenges that place TBG at the vanguard of a new scenario





TBG will be the pioneer in implementing the Entry-exit model in the country, as well as undertaking new roles as logistics coordinator in a scenario with new shippers, acting as a Transmission System Operator (TSO).

Due to the context of the market, the regulating agent (ANP) and the Governmental body (MME) have imposed an accelerated rhythm to perfect the legal and infra-legal framework towards implementing the aforementioned model, following the process implemented by the successive guidelines published in the European market to turn the gas market more flexible.

For such, by means of a schedule negotiated and approved by ANP, several areas in TBG are working on an extensive schedule of activities, aimed at the timely completion of the milestones provided for preparing the Open Season Notice.

Since they are occurring for the first time, these works involve the constant interaction with ANP on the new rules to be set forth, that shall be applied on the Notice, on new transport contracts, and on the definitions of responsibilities by the "Transporter Operator".

Additionally, TBG has actively contributed, together with other transporters and market agents, by means of the public debate on the New Gas Law, pursuant to the Bill of Law No. 6,407/2013 under procedure at the Chamber of Deputies, as well as getting ready to contribute to the discussion of its possible results for the infra-legal framework.



20 years of TBG

To celebrate these two decades of activity in the natural gas transport market, actions have been developed to reinforce feelings of pride and belonging on those who are part of our company. The actions have been planned to extol our memory and work on the familiarity among the TBG team.

In addition to this moment of celebration, we must inform and engage our employees and collaborators on the changes in the gas transport law, and on the Open Season. For such, two news reports have been released on TBGente, the company's internal publication, and an illustrative video was produced. With a simple and direct language, the actions have shown the company's new business position in face of the challenges to come. The material we produced highlights some of the qualities wherein TBG stands out, such as flexibility, agility, pioneering profile, efficiency, operational excellence, safety, technology, innovation, performance capacity, its specialized technical team, in addition to 18 years of experience in operating transport gas pipelines with great volumes and high pressures.



**Pioneering
and facing
challenges are
part of our
history**



Active participation in the development of the new gas market scenario

Suction and discharge piping of the São Carlos (SP) Compressor Station

Commercial and Regulatory Scenario

The purpose of the government initiatives is to bring new directives to the gas sector based in international practices, to attract investments, increase competitiveness, expand access to information and bring agents interested in the process. Aligned to that perspective of transformation, TBG stepped forward in building the “bridge” for this new market model, by having the challenge of modeling the next Open Season process.

Within this process, contractual drafts of the new firm transport service contracts have been developed, under the contract modality Entry-exit, to be submitted to the regulator agent for their approval, aimed at composing the Open Season Notice.

TBG shall be the first transporter in the Brazilian market to implement transport entry-exit contracts. Considering the novelty and the need to establish rules for coexistence with the previously signed contracts, international benchmarking studies and analyses have been carried out. Technical discussions with ANP on the new commercial conditions and the respective contractual provisions have also been held.



Operation and Maintenance

TBG was the first Brazilian pipeline transporter to obtain the Inmetro accreditation on the standard ABNT NBR ISO/IEC 17025:2005, granted to its Calibration Service Management System Laboratory, a requirement by the Joint Resolution ANP/Inmetro 001/2013 for TBG to be able to gauge its secondary natural gas custody transfer instruments.

This represents the formal acknowledgement that the company's laboratory meets the previously defined requirements and is competent to perform activities accurately. Obtaining this acknowledgement is essential for the company, since measuring the custody transfer is the base for billing the transport service.



Accreditation Certificate
ISO/IEC 17025:2005

This way, TBG can offer calibration services in the national industrial park without losing the quality and metrological traceability that are essential for obtaining reliable measurement results.

The maintenance of the gas pipeline and preventing risk situations are always at the limelight within the company. In 2017, geotechnical works have been performed to recompose the integrity of the right-of-way in ten locations in

the municipalities of Novo Hamburgo and Gravataí, both in the Rio Grande do Sul State.

NR-13 inspections of the pipelines in all TBG facilities and the internal inspection of the Northern section (Corumbá/MS to Paulínia/SP) pipe with instrumented pigs have also been completed. The activities have been completed without any failures or accidents. This was the third inspection campaign of the kind since its construction. On average, these inspections are carried out every five years and their goal is to assess the integrity of the gas pipeline, to ensure a safe and reliable operational continuity.

TBG has been improving its activities, intending to remain competitive and to grow in the market. In 2017, our team laser-aligned the coupling of four turbines and their respective compressors, made by our own team, without the presence of manufacturer representatives. The operational advantage in this type of activity is in speeding up the service and being available in emergency situations, aimed at mitigating risks and granting the company with greater autonomy.

Getting ready for the new Brazilian gas market scenario, the company has worked in 2017 in the project to implement the new computerized system of advanced functions and thermal-hydraulic simulation. It is expected to be completed in 2018, and its implementation is being prepared by our own team to replace the current system with great advantages, since it will add the provision of network management and consulting services to the company's portfolio.

We also highlight the development of the transport system capacity assessment methodology project, consisting in defining the limits for moving the gas pipeline, based on criteria that ensure the service's high reliability and aligned with the guidelines of the regulating agency. This project enables us to meet market demands and comply with our contract obligations.

Novelty and efficiency in operating and transporting natural gas

Laser alignment
equipment





Our People

The year of 2017 is the beginning of our Knowledge Management process. Our goal is to share knowledge, from the more experienced to the newest, to promote, consolidate and multiply skills and experiences among the company's professionals.

The company has performed four Workshops on Management, Contract Inspection and Compliance, counting on the participation of 67% of our workforce. It was based on TBG's Code of Ethics and the Petrobras System's Conduct Guide. These events were sponsored by the High Management and are aligned to the principles and guidelines of our Human Resources Policy.

We have implemented the first management succession process, open for the whole workforce and for TBG employees deployed in other companies of the group. The process had the participation of 17 employees, being widely promoted and praised by the workforce. Our transparency and the appreciation for our employees were highlights of the process.

We continue to hold an internship program for secondary, technical and higher education levels. In 2017, we had 29 interns. In addition to the professional experience they have earned in the company, these youths also had the opportunity to participate in workshops on themes for professional qualification.

**Improve the
qualification of
our professionals
is a challenge in
our radar**





Our workforce is structured as follows:

PROFILE OF TBG EMPLOYEES IN 2017

Education

High School

65



College Education

146



Postgraduate Education

74



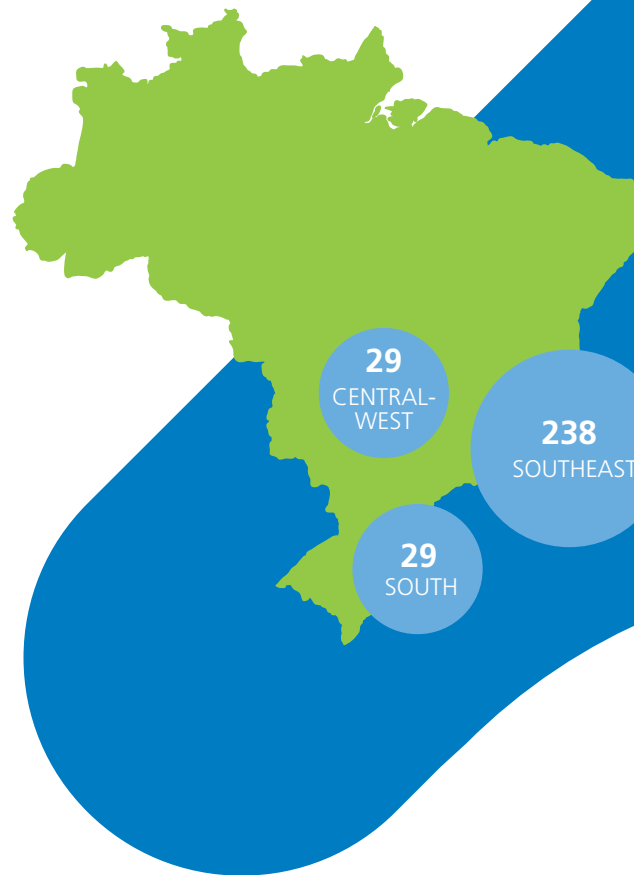
Master's Degree

10

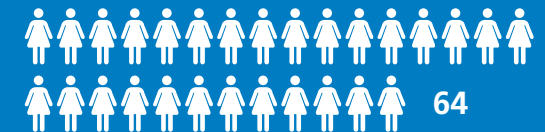
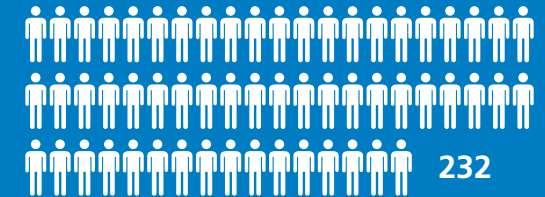


Doctorate

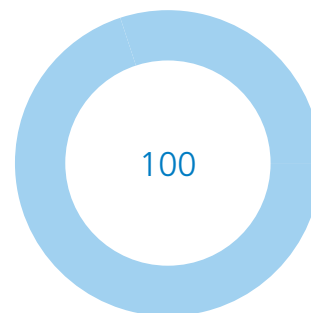
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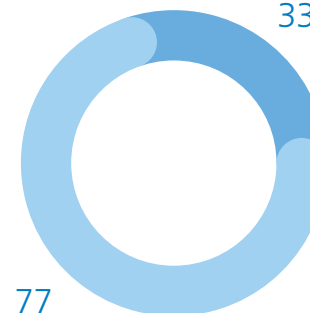
Gender



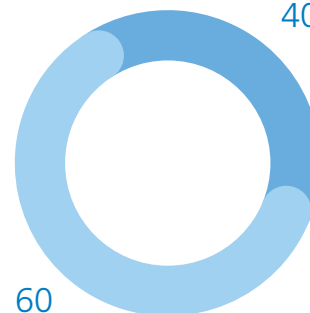
Board %



Management %



Coordination and Supervision %





Compliance

TBG has continued its practices to prevent irregular and illicit acts, guided by ethics and transparency and in compliance with the Anticorruption Law. For such, the Board of Directors has approved the change in the organizational structure, expanding the scope of Coordination to the Compliance, Governance and Internal Controls Management. The purpose of the change is to comply with Law No. 13,303/2016 and its Decree No. 8,945/2016, which provide for the legal status of public companies, mixed capital companies and their subsidiaries under the scope of the Federal Government, the States, the Federal District and the Municipalities, as well as Resolution No. 18 of the Inter-ministry Commission on Corporate Governance and the Administration of the Federal Government's Equities (CGPAR).

Our Corruption Prevention Program (PPC-TBG) follows the prerogatives of Law No. 12,846/2013, known as "Anticorruption Law" or "Clean Company Law", and its regulation instituted by Decree No. 8,420/2015. In 2017, the company developed activities to improve the program's three cornerstones: "Prevention, Detection and Correction."

For prevention, we held the Management, Contract Audit and Compliance Workshop for five classes in Rio de Janeiro and Campinas, reaching 100% employees directly connected to the activity and 100% company managers. In this module, we reiterated that subjects such as ethics, integrity, transparency, accountability, values and good practices are some of TBG's basic principles.

As a detection action, the company made a detailed release of its Complaint Channel flow. The channel is available by phone number:



0800 601 69 25

on TBG's internal Portal (Intranet) and on its official website:



www.tbq.com.br



Section:
Contact – Complaint Chanel

Anyone can contribute reporting acts that indicate a known breach or potential transgression of standards, laws and regulations, ethical principles or other improper conduct.

In January, the Correction Committee was created with the purpose of defining, guiding and following up on the application of disciplinary sanctions in cases opened after evidence of fraud or corruption in the company, aimed at improving control, follow up and, mainly, the isonomy in the application of punishment, contributing to perfect the Correction cornerstone.

Additionally, we have implemented the Compliance Report System to support the decision making by checking the proposals related to bidding processes to be presented to the High Management, considering the Compliance aspects in force.

Corporate conduct guidelines and principles





Risk Management

TBG keeps constantly improving and promoting a Risk Management culture. Some of the internal initiatives to improve the process are highlighted below:

- Approval of the Corporate Risk Management Policy by the Board of Directors and its respective promotion to the employees;
- Approval of the risk profile, portraying the levels of risk TBG will admit for achieving its goals;
- Periodical revision of risk events resulting in an update of the Corporate Risk Matrix;
- Preparation and assessment of TBG's Risk Management System, with its implementation expected to occur on the first quarter of 2018.

Plus the initiatives presented that result from the need to meet the legislation in force, namely: Law No. 13,303/2016 and Decree No. 8,945/2016, CGPAR Resolution No. 18/2016 that refers to the themes of governance and risk management, and Joint Normative Instruction MP/CGU No. 01/2016; also, an organizational adequacy associated to the performance of risk management processes was carried out. Starting on 2017, the attribution by Risk Management became a management directly connected to the company's Chief Executive Officer.

**It is important
to safeguard
the company**





Innovation in Internal Processes

CONTINUOUS IMPROVEMENT IN THE SUPPLY OF GOODS AND SERVICES

We have developed a new stock management methodology aimed at cost-effectiveness, reducing items and price adequacy. The Spare Parts Work Group has prepared an action plan to define a new annual stock target, enabling variability. Once its lower and/or upper levels are reached, the company shall promote an action plan to adjust its position.

The minimum quantities necessary in stock have been defined, in addition to obsolete items and opportunities for improving the spare parts management, since the new target must be in line with the company's needs.

Currently, our process for purchasing supplies and hiring goods and services is governed by the Regulation of the Simplified Bidding Procedure of Petróleo Brasileiro S.A, approved by Decree No. 2,745/1998, by TBG's Contracting Manual (MCT) and by the company's internal procedures.

In compliance with Law No. 13,303/2016, we have worked together with Petrobras to prepare the "Bidding Process Regulation", the contracting of an electronic purchase portal and the adequacy of internal standards to this new legislation. By the end of 2017, the "Bidding Process Regulation Draft Contract" was completed.

TECHNOLOGY IN SERVICE OF EFFICIENCY AND EVOLUTION

In compliance with ANP Resolution No. 40/2016, we have developed the Data Submission Platform (PEDANP) to automatically obtain and submit operational data predetermined by the regulator agency, coming from our gas pipeline supervision and operation system.

In 2017, the infrastructure area of the facilities implemented standards and controls related to the Infrastructure Maintenance Management Plan. The activities and intervals governed by the plan have been recorded in the integrated internal system and the procedures setting forth the main guidelines are in force.



Maintenance shop
in Hortolândia (SP)



Safety, Health and Social-Environmental Responsibility

In October, we approved the Corporate Guidelines Policy integrating safety, environment and health to our corporate strategy, thus reaffirming our commitment to all employees and contracted parties in the search of excellence within our company.

SAFETY

“Nothing is so urgent it cannot be done safely.” This is one of our permanent principles. The safety culture was there at the company’s foundation and has solid roots today.

On December 31st, 2017, we have reached the historical milestone of 3 years and 282 days without accidents with medical leave. This is the result of working continually towards training, educating and raising awareness among our workforce. TBG is proud of this milestone and reinforces the goal of zero accidents in our facilities.

Initiatives are constantly made with preservation of lives at their essence. In all scales, collaborators and service providers participate on frequent training focused on safe behavior and on raising awareness for preventing accidents.

In 2017, for the first time, safety trainings have been presented fully by our own team. The main purposes were to bring the program content closer to the company’s reality, optimizing time and promoting a gain in compliance, with the revision and assessment of activities such as permit to work in a classified area, recycling the training for working at heights and safety in confined spaces, ensuring deadlines established by law are met and a marked reduction of costs associated to the trainings required.

It is a priority for TBG to care for the safety of the workforce and make sure professionals are paying the level of attention they should always pay. The purpose of participating in trainings focused on behavior and awareness is to mitigate accidents.

The training of the 10 HSE Golden Rules was a milestone. That is an important tool in mitigating accidents. Keeping a safe work environment is a value we should always strive for, particularly when the task, such as natural gas transportation, offers risks by its nature. For that reason, an online training was implemented to strengthen the company’s safety culture and communicate its importance for the company’s daily routine and the workers’ well-being.

Rigor in applying these rules is required because not only they prevent accidents but also often save lives. TBG also maintains a strict conduct with regards to safety. The training has been completed with the participation of 100% of employees and is associated to the regular program, called Safe Behavior, reinforcing the concepts of safety within the company.





The 10 HSE Golden Rules

EVERYONE IS RESPONSIBLE FOR SAFETY: LEADERSHIP, EMPLOYEES, AND SERVICE PROVIDERS.

The Golden Rules are based on three fundamental concepts of safety: the Commitment to Life; Line Responsibility, that is, the responsibility for maintaining the Company's safety standards is not only for the management, but for each leader and employee; and Zero Tolerance for deviations from standards, which must be eliminated immediately.

TBG also maintains the Safe Behavior, Safe Driving, Safety Cells and Reporting programs and carries out annual safety exercises, with classroom training and field drills in its facilities, with the participation of the local community and external entities such as the Fire Brigade, the Military Police and the Civil Defense. Its purpose is to train workers in the systematics for handling emergencies, on the responsibilities, procedures, personnel involvement and required materials.

Reinforcing this theme, the Company is committed to maintaining actions to prevent incidents related to the safety of the facilities. Such measures cover, among others, the expansion of the monitoring of the gas pipeline right-of-way and facilities.

There is also the Emergency Response Plan, describing actions that are essential for the safety of the operations and for the continual improvement process within the company. An emergency requires the immediate shutdown of regular operating routines and adopting corrective or preventive measures to minimize the damages caused by the event.

Periodically, our safety standards and emergency plans are reviewed after a meticulous analysis.



PERMIT TO WORK

Only work with a valid permit to work, released on the field and of your full understanding.



SAFE POSITIONING

Do not access isolated area. Never stand under a suspended load or between vehicles, standing or moving. Always stay in safe and secure places.



INSULATION OF ENERGIES

Only perform work on equipment or installations after making sure that all power sources have been safely insulated.



PERSONAL PROTECTION

Always wear the PPE as recommended.



WORK AT HEIGHTS

Only perform works at heights with the use of a seat belt secured in a safe and predetermined place.



ATTENTION TO CHANGES

Be aware of the risks of changes. Only make any changes involving persons, facilities, materials, or procedures after analysis and authorization.



CONFINED SPACE

Only enter a confined space if you are authorized, equipped, and with specific training.



TRAFFIC SAFETY

Respect traffic laws and practice defensive driving. Wear your seat belt, observe speed limits, do not use your mobile phone, and do not drive if you drink.



EXPLOSIVE ATMOSPHERES

Never enter a place with explosive atmosphere. Always obey alarms and signs.



ALCOHOL AND OTHER DRUGS

Never work under the influence of alcohol and other drugs.



HEALTH

TBG is also committed to caring for the safety and well-being of our employees. A team is dedicated to develop and follow-up on initiatives aimed at this theme. Awareness campaigns represent a relevant role in the occupational health area, aimed also, among other goals, at reducing absenteeism in the company. In 2017, the Percentage of Lost Time was found to be 1%, that is, below the maximum admissible limit for the company, which is 2.26%.

In May 2017, a lecture was held on yellow fever, to clarify doubts and reinforce basic care. At the time, the country was experiencing its largest yellow fever outbreak in the last decades, and the lecture provided guidance on precautions and care to prevent the infection.

Additionally, the company provides a support program called “Among Friends”, aiding employees and their dependents in solving personal issues. The program has a multidisciplinary team with psychologists, lawyers, finance specialists, among others, and has serviced 77 people in 2017.

Also, the company maintains, in a preventive and mandatory manner, the Occupational Health Medical Control Program (PCMSO) and the Environmental Risk Prevention Program (PPRA), as determined by the Ministry of Labor.

SOCIAL ENVIRONMENTAL RESPONSIBILITY

Environment – IBAMA has inspected certain stretches of the gas pipeline located in Ribeirão Preto (SP), Ibitinga (SP), Campinas (SP) and in the region near Curitiba (PR). The procedure was required for the agency to define guidelines for works in certain environmental preservation areas. The agency has highlighted, among others, the efficiency and appropriateness of the solutions implemented by the company, the good state of maintenance of the right-of-way with excellent reforestation conditions, and the absence of non-conformities on the areas of the inspected peripheral facilities, thus presenting no damages near the right-of-way.

Society/Community Relations – TBG has always valued the safety of the communities near the gas pipeline. They are permanently informed on the impacts and/or risks that may arise out of TBG’s activities. A dialogue is maintained to ensure total safety for people, the environment and our facilities.



TBG technician visits
a farm in Campo Grande (MS)
near pipeline right-of-way



COMMUNICATION

By creating the Gas Hotline service in 1998, we established an important relationship channel with the communities living around the right-of-way. It became a tool for the integrity and protection of the gas pipeline, consolidating every day the trust and partnership TBG has built with the population. It is a toll-free line, including for cellphone calls, number 0800 026 0400, and the service is available 24 hours a day, even on holidays.

Several issues can be clarified via this channel: what can be done in the right-of-way; request the visit of a technician if any activities need to be performed near the gas pipeline; being informed of possible incidents or abnormalities in any of the company's facilities, including those caused by action of nature; denouncing any improper interventions or requesting explanations on the gas pipeline and on TBG. If another work or renovation is required, within 48 hours a specialized technician goes to the site to assess the risks and provide guidance on the best way to perform the work safely. Third-party actions can be denounced anonymously.

In compliance with the principle of public transparency and with Law No. 12,527/2011 of Information Access, we provide accountability to the society by means of our Information Access Portal.

Petrobras' Citizen Information Service (SIC) – Our official website has the “Information Access” icon, which leads to the portal, together with Petrobras, so that requests can be submitted.



Linha do Gás
▶ 0800 026 0400
Ligue Grátis – 24h

For other demands not listed above, TBG can also be assessed by the channel:

Contact Us – A digital channel available on TBG's official website at:



www.tbgs.com.br

You can send questions, suggestions and/or critics. The form to be filled is available on the website, 24 hours a day. All demands will be internally submitted for handling.



**Information
Access**

Pipeline right-of-way
in Massaranduba (SC)





Financial- Economical Results

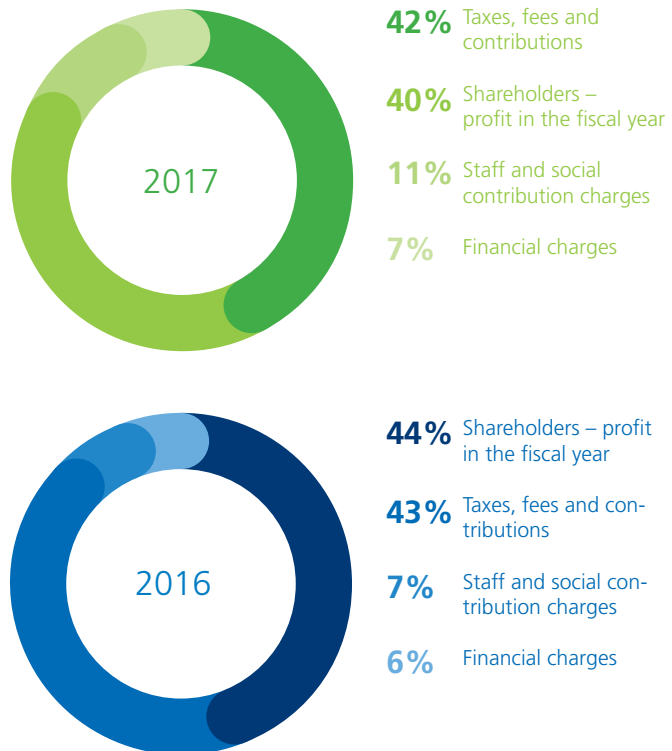




SVA – Statement of Value Added

The Statement of Value Added (SVA) presents information of an economic and social nature and an assessment of TBG's activities in the natural gas pipeline transportation segment.

In brief, we present below the amounts corresponding to the wealth generated by the company in 2017 and its respective distribution. The natural gas transport, gas pipeline operation and maintenance activities, and the company's economic and financial management have generated a wealth of R\$ 1.4 billion added to society.



TBG - SVA - STATEMENT OF VALUE ADDED (R\$ million)

	2017	2016
STATEMENT OF VALUE ADDED		
Operating revenues	1,629	1,864
Third-parties inputs	(125)	(112)
Retentions (depreciation)	(182)	(174)
Financial revenues	37	346
Total value added	1,359	1,924

VALUE ADDED DISTRIBUTION		
Staff - includes social contribution charges	152	131
Government - taxes and contributions	576	823
Financial charges	89	123
Shareholders - profit in fiscal year	542	847
Value added distributed	1,359	1,924



Financial-Economic Performance

The year of 2017 was marked by the start of the Brazilian economic recovery after two years of retraction, with significant decreases recorded both for inflation and for the base interest rate, and the creation of new jobs. The Selic interest rate ended the year at 7.00% p.a. and the official inflation index (IPCA) presented a positive variation of 2.95%, lower than the government's goal floor (3.00%) and lower than the IPCA verified in 2016 (6.29%). In the exchange market, the Dollar ended the year at R\$ 3.3080, representing a 1.50% increase with regards to the end of the previous year.

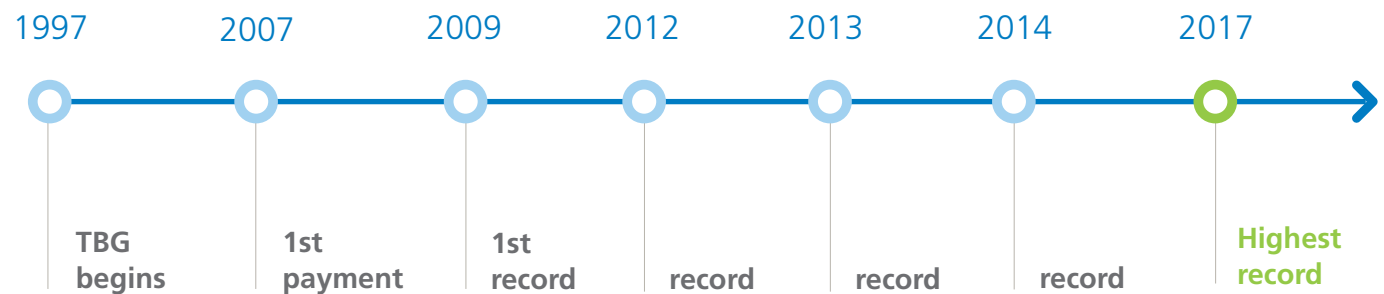
Paulinia (SP)
Compressor Station



TBG has distributed the largest amount of dividends in its history. Between the months of April and October 2017, the shareholders have been paid the amount of R\$ 846.8 million in total amount, which, after adjustment by the Selic rate, total R\$ 885.9 million in nominal gross amounts.

The payment of dividends to shareholders began in 2007. Ten years after the project conception, approximately R\$ 3.9 billion have been paid in nominal gross amounts. Twenty years after its foundation, the company breaks new records.

The growth of the Company's dividends is shown in the following timeline:



HISTORY OF PAID DIVIDENDS (NOMINAL GROSS AMOUNTS)

R\$ million

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	TOTAL
176	153	233	191	187	281	389	581	466	336	886	3,878

The amortization of our subordinate debt (held in late 2016), which went from US\$ 192.4 million to US\$ 52.4 million (principal amount), enabled a reduction in expenses with interest at around US\$ 21 million in 2017.

Our financial applications have generated a financial revenue of R\$ 39.1 million and a gross profitability of 11.04%, reaching 99.28% of the fund's reference index (IRFM-1). The balance of the

debt with third parties, on December 31st, 2017, totaled US\$ 17.3 million, compared to R\$ 37.4 million in 2016.

In addition to these financial obligations, there is the contract "Transportation Capacity Option" (TCO Brazil), with a remaining balance of US\$ 176.9 million on December 2017 (compared with US\$ 183.8 million on December 2016) to be paid by TBG with the provision of transport services until 2041.



Perspectives

Scraper of Paulinia (SP)
Compressor Station





TBG extends a glance towards the future: a new scenario, new challenges, new goals

TBG has begun a history of success, pioneership, excellence and many challenges overcome. Over two decades, the company has grown following the best practices in managing its resources, driven by a workforce that has actively acted to transform our company in a reference in natural gas transportation.

Faced with a scenario of regulatory changes in the segment where it operates, TBG follows its path with robust financial and operational indicators, a solid strategic positioning and a group of qualified collaborators.

We will continue to strengthen our internal controls and governance, ensuring the transparency and effectiveness of our management in accordance with the best international practices. The Brazilian energy market aims for natural gas to be a transition and supportive fuel towards a clean and reliable matrix in the long run.

As a pioneer in transporting large volumes of natural gas, TBG not only is aware of its role in redesigning the market model in Brazil, but is also qualified to effectively contribute in this scenario. The potential entry of new shipper and the new contracting model to enter in force with the Open Season bring great challenges with them.

The company is ready for the opportunities and hardships that the changes will bring in the business context, and continues to be a pioneer in a still-transitional market. We will act, faced by the new Entry-exit contracting model, by complex operational and commercial activities, and by the potential to expand the company's business.

With the experience we have accrued, our mission is to provide safe, competitive and profitable logistics solutions. We will be once again the pioneers and the protagonists of natural gas history in Brazil.

The future begins every day!



Utility system of the
Paulinia (SP) Compressor Station



Credits

Publishing Coordination

Institutional Communication Coordination

Content Coordination

Strategy, Planning and Risks Management
Controller Management

Graphic Design and Diagramming

Flavia da Matta Design

Photographs

Álvaro Victor
Pages 5, 7, 15, 21, 31, 32

Ana Skrabe
Pages 9, 27, 34, 35, 36

Arquivo TBG
Pages 14, 20, 22

Marcelo Horn
Pages 25, 28

Marcus Almeida
Page 23

Mário Luiz Bueno
Page 30

Paula Kossatz
Page 26

Raquel Correia
Pages 6, 10, 17

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