



Press release
8 April 2019

ENGIE-led consortium wins competitive bidding process in Brazil for the acquisition of TAG

ENGIE announces that the consortium in which it holds a majority stake has won the competitive bidding process conducted by Petrobras for the sale of a 90% shareholding in Transportadora Associada de Gás S.A. (TAG) with a final and binding offer amounting to USD 8.6bn.

TAG is the largest natural gas transmission network owner in Brazil, a priority country within ENGIE's recently announced strategic framework, with an asset base providing an attractive and stable regulated profit stream to ENGIE. TAG assets consists of 4,500 kilometers of gas pipelines in Brazil, which represents 47% of the country's entire gas infrastructure.

The winning offer for the 90% equity stake in TAG was made by a consortium composed of ENGIE S.A, ENGIE Brasil Energia¹ and la Caisse de dépôt et placement du Québec (CDPQ). Petrobras will maintain a 10% equity stake in TAG.

ENGIE's net total ownership of TAG (directly and indirectly through Engie Brasil Energia) will amount to 49.3%². As TAG will be jointly controlled, it will not be consolidated into their balance sheets. Within the TAG acquisition financing structure, a debt/equity ratio of 70/30 is targeted at closing. Given this secured financing structure and ENGIE's net total ownership percentage, ENGIE expects to have a net debt impact of EUR 1.6bn in conjunction with the transaction.

In addition to its ownership, ENGIE will be the industrial partner for TAG, managing the asset after the closing of the transaction and taking 100% of the operations and maintenance after the third year.

This acquisition is fully aligned with ENGIE's strategy to be the leader of the zero carbon transition. This transition requires sophisticated large-scale energy infrastructure such as the TAG pipeline network. Natural gas will increasingly contribute to the diversification and decarbonization of Brazil's energy mix, replacing high carbon energy sources while complementing renewable generation. This acquisition is also in line with ENGIE's objective to rebalance the geographic and regulatory exposures of its networks activities and to benefit from the steadily growing Brazilian gas market. TAG will provide ENGIE with revenues based on long-term contracts and the opportunity to broaden its local customer portfolio and develop new uses for gas transportation networks stemming from new technologies such as

¹ ENGIE holds a 68.7% stake in ENGIE Brasil Energia

² ENGIE ownership of the asset will be structured through a 29.25% stake held via a 100% direct subsidiary of ENGIE and through a 29.25% stake held by ENGIE Brasil Energia (resulting in an additional 20.1% economic interest in TAG for ENGIE)



biomethane and green hydrogen. Finally, the financing partnership scheme implemented with CDPQ for this acquisition highlights ENGIE's commitment to efficient capital allocation.

The transaction is conditional upon the approval of the relevant governance bodies of Petrobras and the Brazilian and European Union anti-trust authorities. The closing is expected before the end of the first semester 2019. The Group will detail further financial impacts of TAG acquisition once closing is achieved.

“Our acquisition of TAG is a significant milestone for ENGIE in Brazil, a key market for the Group where we have been present for 23 years. It is fully aligned with ENGIE's strategy to become the leader of the zero-carbon transition, supporting Brazil in the decarbonization of its energy mix. It will also enable the Group to build on its infrastructure expertise while diversifying its network activities and seizing opportunities in growing markets”, said Isabelle Kocher, ENGIE CEO.

About TAG

TAG's 4,500 kilometer gas pipeline covers the entire Brazilian Southeastern and Northeastern coastline in addition to a stretch linking Urucu (an oil field in the central Amazon region) to the city of Manaus (AM). The network also has 12 gas compression stations (6 proprietary and 6 subcontracted) and 91 delivery points. Capacity at TAG is currently mostly contracted under four 12-year long-term 'ship-or-pay' gas transportation agreements (GTAs) with fixed contracted volumes and inflation adjusted tariffs. In 2017, TAG generated BRL 4.59bn in revenues with an EBITDA of BRL 4.25bn and earnings of BRL 2.34bn.

About ENGIE in Brazil

ENGIE is the largest private power producer in Brazil, operating an installed capacity of 10.2 GW in 42 power plants, which stands for about 6% of the country's capacity. The Group has 90% of its installed capacity in the country coming from clean, renewable sources and with low emissions of greenhouse gases.

The Group also operates in the commercialization of energy in the free market and is among the largest companies in distributed photovoltaic generation. It has a complete portfolio in integrated solutions focused on cost reductions and improve infrastructures for companies and cities, such as energy efficiency, energy monitoring and management, contract management of power supply, besides public lighting, HVAC systems, telecommunication, security as well as urban mobility systems for smart cities, infrastructure and the oil and gas industry. With 2,300 employees, ENGIE had in the country a turnover of EUR 2.2.bn in 2018.

About ENGIE

Our group is a global reference in low-carbon energy and services. In response to the urgency of climate change, our ambition is to become the world leader in the zero carbon transition "as a service" for our customers, in particular global companies and local authorities. We rely on our key activities (renewable energy, gas, services) to offer competitive turnkey solutions. With our 160,000 employees, our customers, partners and stakeholders, we are a community of Imaginative Builders, committed every day to more harmonious progress.

Turnover in 2018: EUR 60.6bn. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, DJ Euro Stoxx 50, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe and Euronext Vigeo Eiris - World 120, Eurozone 120, Europe 120, France 20, CAC 40 Governance).

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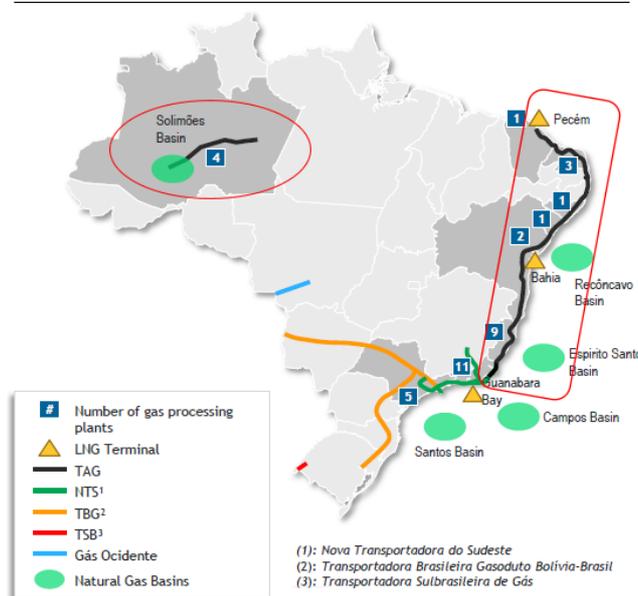


INVESTOR ANNEX

Asset description

TAG owns about 4,500 km of gas pipeline with 6 associated compression stations along the Brazilian coast connecting Rio de Janeiro state to the northern region and an isolated portion in Amazonia connecting onshore production fields to Thermal Power Plants (TPP). The total contracted capacity is 75.8 MMm³/day.

Assets location - geographic footprint



TAG generates revenues by charging transport fees on medium-long term Gas Transportation Agreements (GTA) with Petrobras and incurs O&M costs, which is currently outsourced to Transpetro (a company fully owned by Petrobras), as well as limited administrative costs.

TAG has authorizations until 2039-2041. The capacity is fully booked under the GTAs with ship-or-pay clauses (regulated tariffs apply afterwards under an open season process). Revenues have no exposure to market risk during current GTAs.

It is a contracted / regulated asset with high return and without construction risks.

After current GTAs maturity, TAG will base its revenues on regulated tariffs. Capacity will be booked through open season mechanism (Malhas NE in 2025, other GTAs after 2030).

Analysis of historical data shows a relevant use rate of this network infrastructure. With expected growth from existent and potential new players' entry upon market opening process, the market assessment concludes that it will remain an essential facility for the Brazilian gas market on the long run.



Financials

1. ENGIE investor guidelines

TAG 2018 operating profit indicators (at 100%):

- EBITDA: BRL 4.4 bn
- COI: BRL 3.9 bn

To assist ENGIE investors, the following guidelines are provided to summarize the expected mechanics of the future flow of TAG results into ENGIE's financial statements.

- The transaction remains subject to a range of outstanding uncertainties and risk factors related to closing and future economics. These outstanding uncertainties include, but are not limited to, the timing of closure, currency exchange rates, interest rate and other variables associated with the transaction debt financing, and the precise structure of TAG purchase price amortization (PPA) for ENGIE. For avoidance of doubt, it should be noted that the net income which will ultimately accrue to ENGIE in respect of TAG will reflect the considerable PPA and interest expenses to be deducted from ENGIE's share of TAG's operating income.
- TAG will be accounted for as an associate (equity method) both at ENGIE and ENGIE Brasil Energia (EBE) level. Engie and CDPQ will jointly control the acquisition consortium.

Therefore, at ENGIE group level, EBITDA and COI will include:

- the share of the net income of TAG corresponding to the equity stake owned directly by ENGIE, plus
- consolidation of the full share of the net income of TAG corresponding to the equity stake in TAG owned by EBE

The combination of this direct stake and full consolidation of EBE's stake in TAG will result in approximately 58.5% of TAG's net income flowing through ENGIE's EBITDA and COI. Given that ENGIE holds 68.7% of the equity of EBE, ENGIE's Minority Interest line on its P&L will also therefore increase by approximately 9% of TAG's net income, reflecting the portion of EBE's increased profit which does not accrue to ENGIE, given EBE's minority shareholders. After deduction of this increased Minority Interest, ENGIE's net income will reflect its 49.3% net total ownership stake in TAG.

- As a reminder, Capex incurred by Associates do not impact the consolidated Group Capex.
- As ENGIE will reflect TAG in its financial statements as an equity-accounted associate, the impact of the transaction on ENGIE's net debt will correspond to ENGIE disbursement in relation to its direct equity stake in TAG's acquisition consortium (approx. EUR 0.8bn), plus all of the net debt incurred by EBE in relation to its equity stake in this acquisition consortium (approx. EUR 0.8bn).
- ENGIE will incorporate the positive inorganic addition of TAG following the closing of the transaction, and expects the addition of TAG to ENGIE's Networks business line to enhance its



COI trajectory to a higher level within the recently announced Networks COI CAGR indicative outlook range. ENGIE expects Net Recurring Income accretion (in the range of E100-110m per annum over the first two full years post transaction, calibrated to the current level of ownership and a foreign exchange assumption of 4.35 EUR/BRL, with rising profitability thereafter) due to the inorganic addition of TAG following completion of the transaction.

2. Financial structure

On the closing date, the consortium will acquire 90% of Petrobras' stake in TAG through a jointly owned Brazilian entity. Such entity will extend a loan to TAG to reimburse its existing BNDES debt. The share acquisition and debt re-imburement will be funded by sponsors equity and debt raised at the level of the Brazilian entity, which will later be incorporated into TAG. The targeted debt/equity ratio at closing is approx. 70/30.

The consortium has secured approx. USD 6bn of long-term and non-recourse acquisition financing in local and foreign currencies. The acquisition financing is fully committed and ready to be drawn upon closing of the acquisition. It is being provided by a club of 3 local banks and 7 international banks on a take-and-hold basis.

TAG equity ownership split is the following:

- 90% Sponsors Joint Venture - 10% Petrobras
- Sponsors Joint Venture : 65% ENGIE Group - 35% CDPQ
- ENGIE Group investment will be shared 50/50 between Engie Brazil Energia ("EBE"), ENGIE's local listed vehicle, and a 100% owned subsidiary of ENGIE

On this basis, the *pro forma* TAG transaction capital structure is anticipated to be approximately as follows, based upon the agreed TAG enterprise value of USD 8.6bn (for 90% of the TAG shares and BNDES debt reimbursement):

Total in USD bn	8.6	
Total in EUR bn	7.7	
Of which Debt	5.3	
Of which Equity*	2.5	
Equity ticket by consortium member* in EUR bn	2.5	
CDPQ	0.9	35.0%
Engie SA	0.8	32.5%
EBE	0.8	32.5%

* incl. bank fees