



Investors Presentation

12 September 2019



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01

Terega Overview

1 A Unique Infrastructure Asset - Two Regulated Activities

- **Teréga's strategic goal is to develop activities that will improve fluidity in the European gas markets and contribute to security of gas supply, in particular by improving the performance of its transmission and storage infrastructures**
- **Teréga is focused on providing new customer-oriented services and reinforcing its positioning as a high-value partner in the gas chain**
- **Teréga is also determined to make gas an accelerator of energy transition and adapts its infrastructures consequently**

Gas Transmission

Teréga's grid is composed of two parts : the **Main Grid** and the **Regional Grid**.

- The Main Grid provides a two-way link between the grids operated by adjacent TSOs in France and Spain and enables access to the two Teréga's gas storage sites.
- The Regional Grid enables the gas to be transferred from the Main Grid to directly connected consumers (generally high-consumption industrial sites) or to the distribution grids supplying consumers in urban areas. It also enables to connect biomethane injection sites.

Main characteristics:

- 14% of France's main transport network
- More than 5,000 km of pipelines
- 119 delivery points for industrial consumers
- 324 delivery points for public distribution
- 2 biomethane connections
- 2 links with Spain

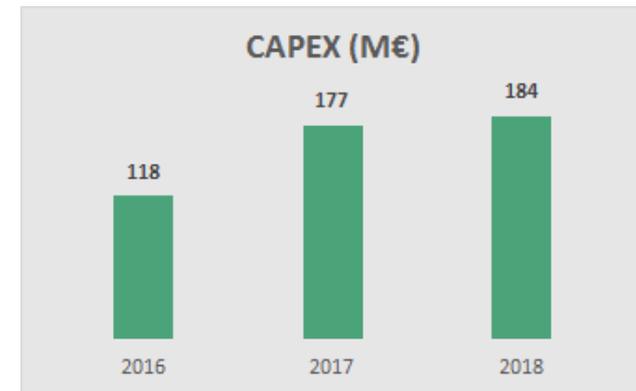
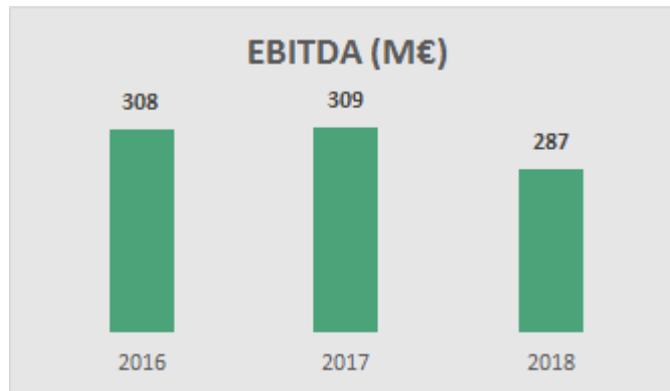
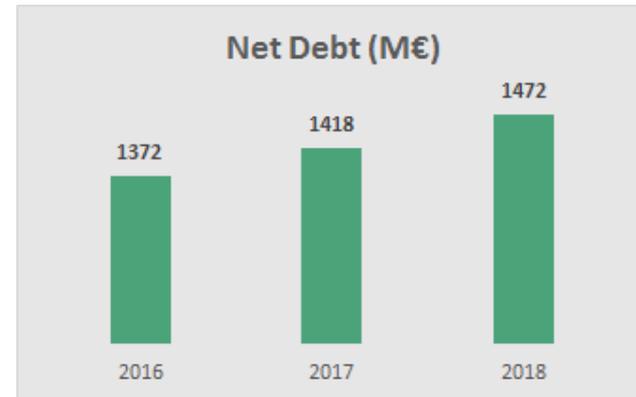
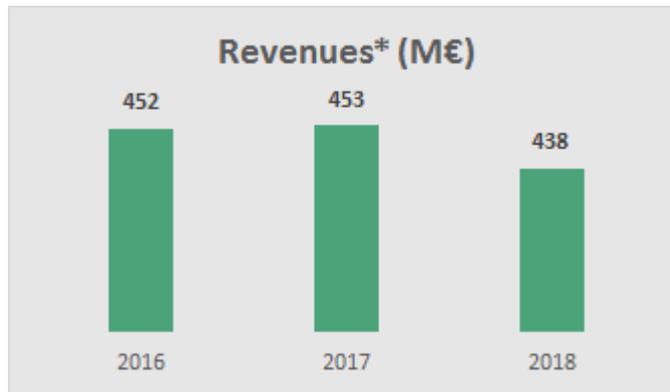
Gas Storage

Teréga operates and develops two storage infrastructures at the heart of its network and at the crossroads of European gas exchange. These sites help to respond to seasonal demand and subsequently guarantee a continuous energy supply.

Main characteristics:

- 25% of France's underground natural gas total storage capacity
- 33 TWh of storage capacities
- Two underground gas storage sites at Izaute and Lussagnet. They are the only 2 storage sites in the South West of France

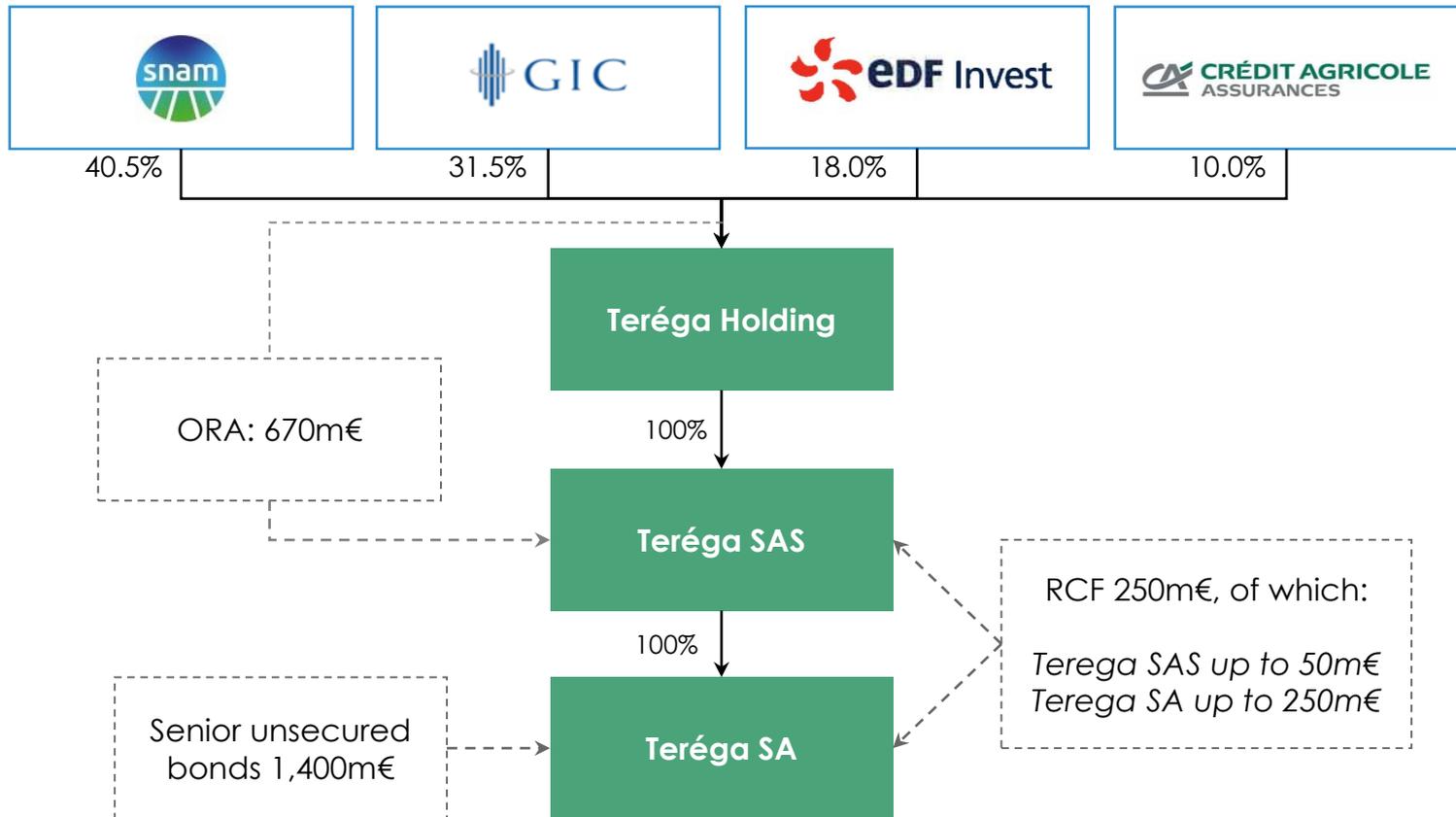
1 Teréga SA Main Financial Figures



- **A track record of sound results**
- **2018 revenues and EBITDA slightly impacted by the entry into regulation of the storage activity**

* Net of pass-through items

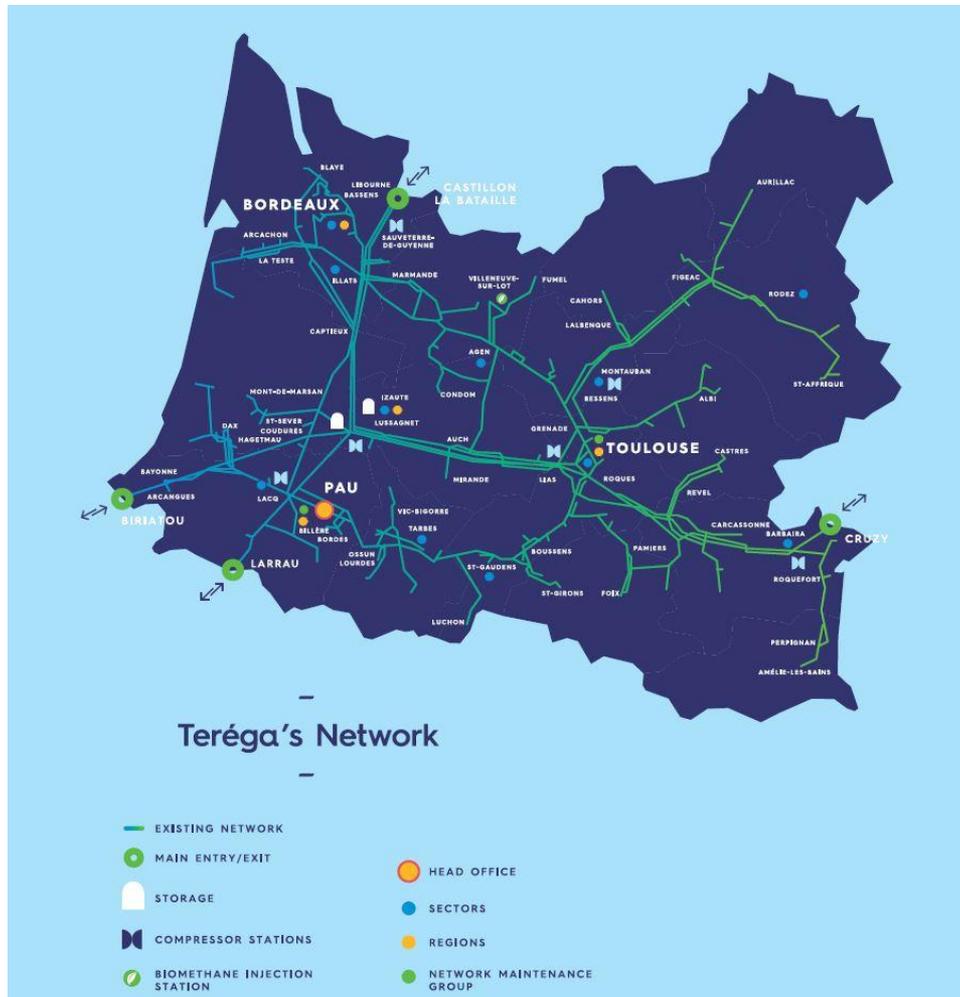
1 A Strong Shareholding Structure



02

Transmission Activity

2 Transmission Activity Overview



1 Trading Region

1 Balancing zone

1 VIP (Virtual Interconnection Point) with Spain

2 physical interconnection points with GRTgaz

2 physical interconnection points with ENAGAS

119 delivery points (industrials)

324 delivery points (distribution)

2 biomethane injection points

2 Well-trying Regulatory Framework

Regulatory framework – Main parameters

	ATR T1	ATR T2	ATR T3	ATR T4	ATR T5	ATR T6
Remuneration Rate	7.75%	7.75%	7.25%	7.25%	6.50%	5.25%
New Investment Surplus	1.25%	1.25%	1.25%	No	No	No
Strategic/ Fluidity Network Investments	3% (granted for a 10-year period on a case by case analysis)	3% (granted for a 10-year period on a case by case analysis)	3% (granted for a 10-year period on a case by case analysis)	3% (granted only to selected investments)	3% (granted only to selected investments)	No
Assets Under Construction Remuneration	No	No	7.25%	4.60%	4.60%	3.7%
Adjustment Mechanisms	No	No	CRCP*	CRCP	CRCP	CRCP
CRE Efficiency Requirements	No	No	No	No	Yes	Yes



Source: CRE, Management information, European Commission

Note: Investments benefiting from the 1.25% premium will continue to benefit from this bonus over their useful life

*CRCP = Clawback account considering discrepancies between forecasted and actual transmission specific items

2 Trading Region France (TRF) for a Unique Gas Price in France

Impact on the French market :

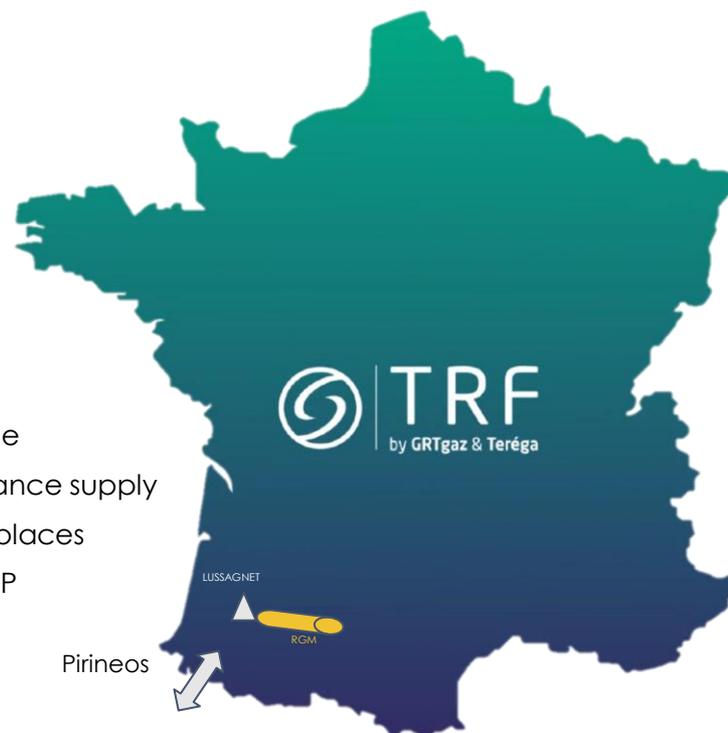
- Single market area for France
- Unique gas price
- An enhanced security of supply

Strategic positioning of Teréga infrastructures :

- Teréga and GRTgaz jointly manage TRF → visibility increase
- Direct access to French unique marketplace for Teréga's storage
- Renforcement Gascogne Midi (RGM) to secure South East of France supply
- Teréga's infrastructures next to North-West Europe liquid marketplaces
- Improvement of Iberian Peninsula interconnexion at PIRINEOS VIP

The first outcomes of the TRF : record flows to Spain

Entry into force 1st november 2018



03

Storage Activity Now Fully Regulated

3 Sole Gas Operator in the South West Region

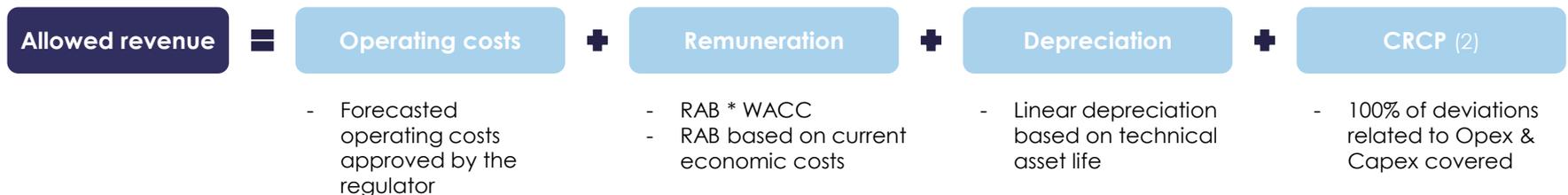


- 2 storage sites in Izaute and Lussagnet (the only 2 storage sites in the South West of France)
- 25% of France's underground natural gas total storage capacity
- 33 TWh storage tradable capacities



3 Storage Activity Fully Regulated since January 1st 2018 Revenue Framework Similar to Transmission

Regulator	CRE - same regulator for the Transmission activity and the Storage activity (as well as for the electricity networks)
Framework	RAB⁽¹⁾ based revenue - Similar regulatory framework and mechanism for the Transmission and Storage activities
Track record	Strong track record of the regulator (since 2000) and of the application of the Transmission regulation
WACC	5.75% real pre tax (+50 bps vs transmission)
Adjustment Mechanisms	CRCP - differences between forecasted and actual figures adjusted on ex-post basis
Period	Initial 2-year transition period for storage (ATS1), to be followed by an alignment with the 4-year regulatory cycle of the Transmission



3 New Commercialisation Rules for Storage Capacities

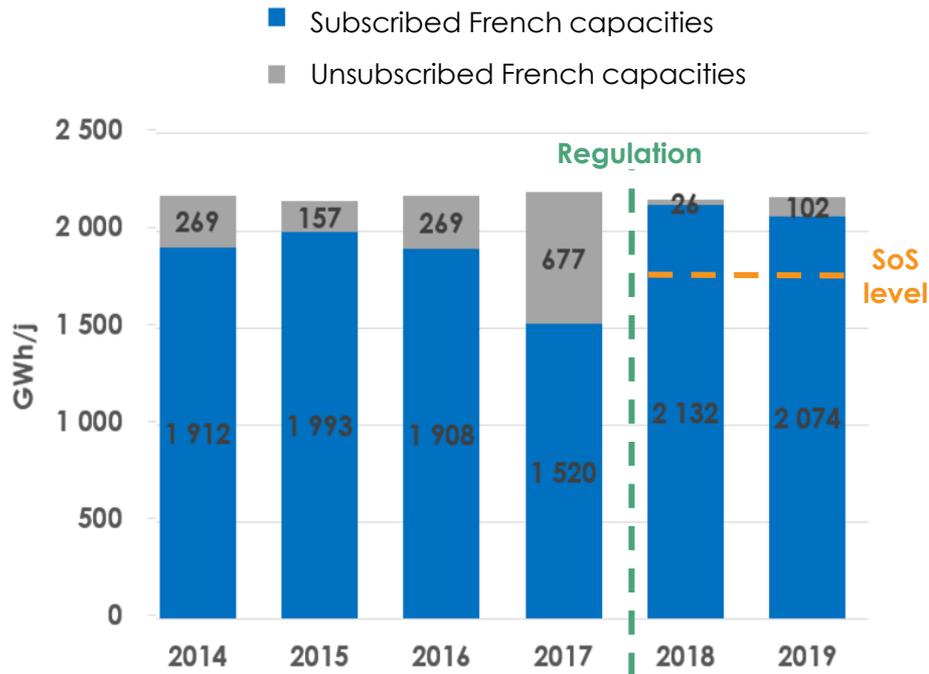
Key takeaways

- The CRE (Commission de régulation de l'énergie - the French energy regulator) defined the **commercialisation framework** in order to maximise the filling of the storage facilities, necessary for granting the security of gas supply in France.
- Storage capacity is offered through **public auctions** according to arrangements set by the CRE
- Any difference between auction revenues and the storage allowed revenue is **offset by a specific tariff component**, included into the tariff for using the natural gas transmission network
- Introduction of an **incentive mechanism** to encourage storage operators to maximize subscription of capacities and auction revenues

- **Revenues of storage operators are now fully regulated**
- **Storage capacities are sold through public auctions**
- **The new regulation on the storage activity fully eliminates exposure to volume and price risk**

3 Storage Regulation Helps the Security of Supply in France

The objective to reinforce French Security of Supply achieved through higher subscription levels



Successful Teréga auctions for storage year 2019-2020

30

Participants to Teréga auctions for SY19

100%

Capacity booking rate

+25%

Participation versus March 2018

11x

Demand/Offer ratio

6

New Customers for SY19

2.22

Average auctions price (€/MWh) versus 0.57 in March 2018

Teréga's storage capacity 100% subscribed in 2018 and 2019 (such as before regulation)

3 Evolution of the Regulatory Frameworks

The regulatory mechanism sets the **review of the tariff conditions for each new period**.

At the beginning of 2019, CRE (Commission de Régulation de l'Énergie) and operators entered into the preparation phase of the new regulatory frameworks for the period 2020-2023.

In July, CRE has launched public consultations, for both transmission and storage activities, providing preliminary orientations :

- **stability of the global mechanisms:** duration 4 years, RAB methodology, Opex trajectory, Claw Back account (CRCP),
- **potential ranges of WACC** between 3.6% and 4.4% real pre tax for the transmission and between 4.1% and 4.9% for the storage - justified by financial market conditions and the expected evolution of French tax rate.

In the coming months, CRE is expected to finalise the process with the **active participation of all stakeholders** through the answers to public consultation and auditions.

Sources :

- Public consultation N°2019-013 of 23 July 2019 relating to the next tariff for the use of natural gas transmission networks of GRTGAZ and TERÉGA
- Public consultation N°2019-014 of 23 July 2019 regarding the next tariff for the use of STORENGY, TEREKA and GEOMETHANE natural gas underground storage infrastructures

04

Consent Solicitation Background

4 Executive Summary

- Following the French Law 2017-1839, dated December 2017, the regulation of the gas storage activity eliminated since January 2018 the exposure to volume and to price risk and reinforced Teréga's business profile
- In this context, Teréga wishes to obtain additional financial flexibility, while remaining committed to maintaining a strong Moody's Baa2 rating
- Teréga is thus seeking the consent of its Noteholders to modify the lockup levels in the documentation of the Notes
- The holders of the EUR 350,000,000 2.998 per cent. Notes due 2035 with ISIN FR0012881563 (the "2035 Notes") are not part of the Consent Solicitation but will be convened in a general meeting to approve similar amendments to the "Total Net Leverage" included in the terms and conditions of the 2035 Notes

4 Moody's Target Ratios were Relaxed Following the Regulation of the Storage Activity

Moody's assessment before regulation of the storage business

- "Credit Challenges: Gas storage business currently exposed to volume and competition risks, although potential regulation could reduce or even eliminate those
- The stable outlook reflects our expectation that Teréga's financial risk profile should remain commensurate over the medium term with our guidance for the Baa2 rating, which includes **FFO/net debt at least in the mid-teens** in percentage terms and FFO interest coverage above 4x."

Source: Moody's Credit Opinion, May 2017

Following the regulation of the storage activity

New regulation is a credit positive

- "Following the French law no 2017-1839 dated December 2017, (...) the CRE published in February 2018 its final determination in respect of the tariffs — known as ATS1 — applicable to gas storage operators for a two-year period (known as ATS1) starting 1 January 2018.
- The introduction of regulation was credit positive for Teréga, whose gas storage activities had so far been operating under a commercial model in a competitive environment"
- **"Teréga is no longer exposed to volume and price risk, which is credit positive."**

Moody's new Target Ratios

- "The stable outlook reflects our expectation that Teréga's metrics will remain in line with guidance for the current rating of:
 - **funds from operations (FFO)/net debt above 10% and**
 - **net debt/regulated asset base (RAB) not above the high 70s in percentage terms."**

Source: Moody's Credit Opinion, July 2019

4 Company and Shareholders' Intention to Adjust the Capital Structure to the New Fully Regulated Business Profile

<p>Regulation of the storage business impacted profitability...</p>	<ul style="list-style-type: none"> - Reduction of revenues on the storage activity of c. 11% (€ 21m) between 2017 to 2018 due to the new regulation
<p>... but removing any revenue risk</p>	<ul style="list-style-type: none"> - Stability and predictability of revenues from the storage activity improved, due to regulated tariffs set by the CRE - "Teréga is no longer exposed to volume and price risk, which is credit positive."
<p>Proposed allowed returns for the next regulatory period compatible with the current rating</p>	<ul style="list-style-type: none"> - On 25 July 2019, the regulator published a consultation on its proposed approach for the next regulatory periods in which it proposes a reduction in allowed returns in gas transmission and gas storage - Moody's believes that the company will "act in accordance with their stated intention to maintain credit quality and anticipates measures [...] should they be necessary to support financial metrics in line with guidance for the current rating following the regulatory determination"
<p>Strong commitment to maintain a comfortable Baa2 rating</p>	<ul style="list-style-type: none"> - A cornerstone of the shareholders' strategy for Teréga is to preserve a solid Baa2 rating, with a stable outlook. The shareholders recognise the importance of having this rating resilient throughout a range of operational assumptions - Business plan and dividend policy are commensurate with the rating targets - "The stable outlook reflects our expectation that Teréga's metrics will remain in line with guidance for the current rating"

Source: Moody's Credit Opinion, July 2019 / Press Release dated 12 September 2019

Source: Moody's Credit Opinion, July 2019

Company and shareholders would like to adapt the capital structure to reflect the new fully regulated profile of the company

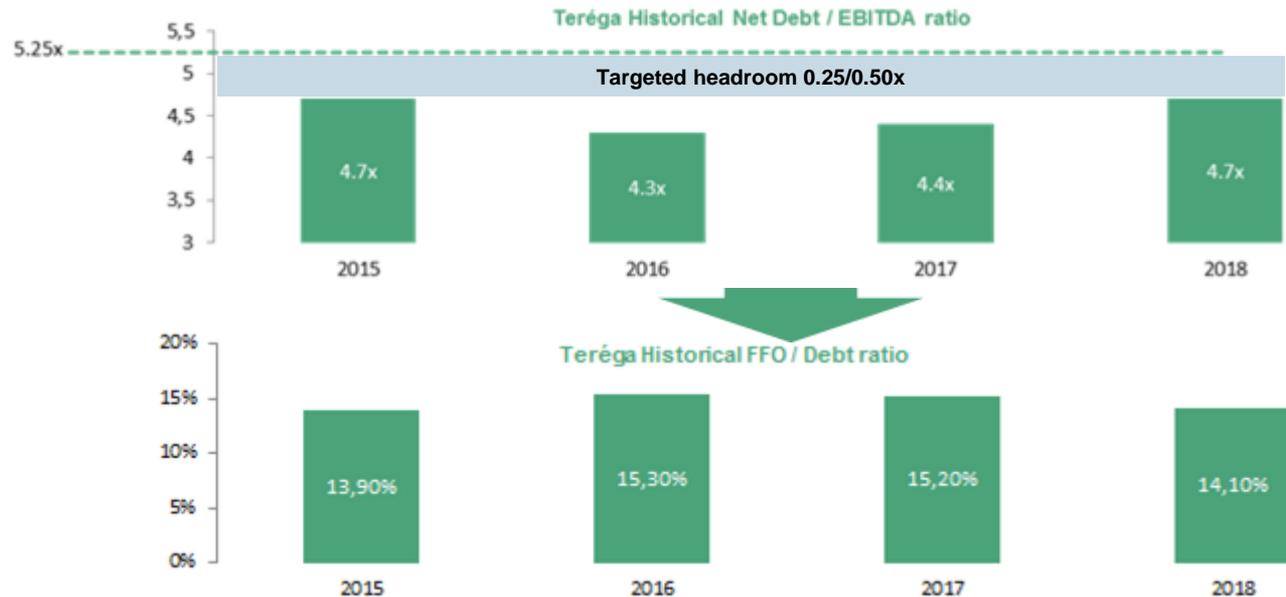
4 2014 Amendment of the Bond Ensured Equity Treatment to the ORAs with Lock-up Ratios Commensurate with Moody's Baa2 Target Ratios

Rationale for introducing the lock-up levels : ensure equity like characteristics for ORA

- "In Moody's view the proposed amendments to the Notes, together with the Undertaking Agreement and ORA, would (...) provide a financial framework which would be consistent with a Baa2 rating.
- Moody's considers the ORA as having strong equity-like characteristics"

Source: Moody's , Teréga's proposed amendments to notes are credit supportive 13 January 2014

Lock-up ratios set at a level commensurate with Moody's target ratios



- Lockup ratio was set at a level to allow 0.25 / 0.50x turn of headroom between leverage and lockup level. The company intends to keep similar headroom going forward
- "With a Regulated Asset Base of €2.7 billion at 31 December 2018, each 50 basis points decrease in the average allowed return for Terega would lead to a EUR13.6 million reduction in EBITDA or a 0.9 percentage point reduction in FFO / Net debt at current net debt levels." And to ca. 0.25x increase in Net Debt / EBITDA ratio.

Source: Moody's Press Release dated 12 September 2019

4 2019 Proposed Amendment to the Bonds in line with the Stronger Regulated Business Profile of Terega and a Commitment to Baa2

Current lock-up levels in Teréga's Bonds

Ratios	2018	2019	2020	From 2021
Net Debt / EBITDA	<5.25x	<5.25x	<5.25x	<5.25x
EBITDA Interest Cover	> 4.0x	> 4.0x	> 4.0x	> 4.0x

Proposed Amendment to Teréga's lock-up ratios

Ratios	2018	2019	2020	From 2021
Net Debt / EBITDA	<5.25x	<7.25x	<7.25x	<7.00x
EBITDA Interest Cover	> 4.0x	> 4.0x	> 4.0x	> 4.0x

- **Same Lock Up ratios** will be used if Teréga's Proposed Amendment are implemented, i.e. Net Debt / EBITDA and EBITDA Interest Cover
- Teréga **seeks to obtain further financial flexibility on its lock up ratio**, with a maximum Net Debt / EBITDA ratio increased to **7.25x in the next two years and then reduced to 7.0x going forward**
- EBITDA Interest Cover ratio remain unchanged

Rating Action:
Moody's affirms
Terega SA's Baa2
ratings; outlook
stable

"Moody's Investors Service ("Moody's") has today affirmed the Baa2 long-term issuer and senior unsecured ratings of Terega SA ("Terega"). The outlook remains stable. The rating action follows the 12 September 2019 announcement by Terega that it is seeking lender consent to modify the terms of its existing debt. Subject to the proposed changes being approved, Terega would be able to increase borrowing up to a maximum of 7.25x EBITDA, as compared to 5.25x today, before reaching the lockup levels."

Source: Moody's, Press Release dated 12 September 2019

05

Consent Solicitation Process Description

5 Targeted Bonds and Indicative Timetable

Targeted bonds

ISIN	Description of the Notes	Amount Outstanding
FR0011075043	EUR 500,000,000 4.339 per cent. notes due 2021 ("2021 Notes")	EUR 500,000,000
FR0012881555	EUR 550,000,000 2.20 per cent. notes due 2025 ("2025 Notes")	EUR 550,000,000

Indicative timetable

Event	Time and Date	Description
Notice of Meeting	12 September 2019	Consent solicitation announcement and Noteholders' meeting notice. Publication of the notice on Euroclear France and on Teréga's website
Account Holder Certificates Deadline	12.00 a.m. (midnight) Paris time, 26 September 2019	Account Holder Certificates shall be dated no later than this deadline
Voting Documents Deadline	26 September 2019	Deadline for receipt by the Centralising Agent of Voting documents
First Noteholders meetings	2.00 p.m. Paris time, 30 September 2019 for the 2021 Notes 2.30 p.m. Paris time, 30 September 2019 for the 2025 Notes	Time and date of the Meetings on first convocation
Results publication	As soon as reasonably practicable after any meetings	Announcement and publication of the results of the Meetings on Euroclear France and on Teréga's website if the quorum is met
If the quorum is not met Notice of Second Meeting	No later than 1 October 2019	Publication of the notice on Euroclear France and on Teréga's website
Second Noteholders meetings	2.00 p.m. Paris time, 16 October 2019 for the 2021 Notes 2.30 p.m. Paris time, 16 October 2019 for the 2025 Notes	Time and date of the Meetings on second convocation, if no quorum is met on first convocation
Results publication	As soon as reasonably practicable after any meetings	Announcement and publication of the results of the Meetings on Euroclear France and on Teréga's website
Consent Fee payment	No later than 18 October 2019	The date on which the Consent Fee is paid if the resolutions are approved at the meetings and by the holders of the 2035 Notes

Note: the process for the 2035 Notes will be managed independently

5 Consent Fee

- The payment of the fee will take place **no later than 18 October**, and is **conditional upon the passing of the resolutions on all 3 existing Notes (2021 Notes, 2025 Notes and 2035 Notes)**
- Terega will pay a Consent Fee to each Noteholder whether they vote in favour or against the resolution, or do not participate in the vote
- The Consent Fee will be equal to a percentage of the aggregate principal amount of the Notes of any Series which are the subject of such Consent Instruction:
 - 0.30% in respect of the 2021 Notes
 - 0.90% in respect of the 2025 Notes
- For information purposes only, the Consent Fee is based on a 15 bps fee in yield terms, until maturity of each Series

A Consent Fee will be paid (i) no later than 18 October, (ii) only if the Resolutions are approved at the meetings of the two Series of Notes and by the holders of the 2035 Notes and (iii) to all Noteholders

5 Quorum / Voting Threshold

Quorum Threshold

- On Noteholders' meetings first convocation, the quorum required to be validly held is one or more persons present representing **at least one fifth** of the principal amount of the Notes of the relevant Series then outstanding
- On second convocation, **no quorum** is required

Voting Threshold

- The resolution is passed if **two-thirds** of Noteholders present or represented on such meetings votes in favor of it, **either on first or second convocation**

5 Contact / Voting process

Voting process

- Noteholders who wish to vote can either (i) **physically** attend the Meeting, (ii) vote **by proxy** or (iii) vote **by correspondence**
- Noteholders who wish to **attend and vote in person** at the Meetings must provide:
 - An Account Holder Certificate duly executed dated **no later than 12.00 a.m. Paris time, 26 September**
 - A current identity card or a passport, with a power of attorney, if relevant, to access the meeting
- Noteholders who wish to vote **by proxy or by correspondence** should:
 - Obtain Voting Documents from SGSS
 - Once completed, provide them to SGSS alongside with the Account Holder Certificates **no later than 26 September**
- Request for copies of the Consent Solicitation Memorandum and information in relation to the procedures for submission of a Consent Instruction should be directed to the Centralising Agent:

Société Générale Securities Services (SGSS)

32, rue du Champ de Tir
CS 308 12
44308 Nantes Cedex 3
France
agobligataire.fr@socgen.com

