

Rating object

Engie S.A.
Long Term Local Currency Senior unsecured issues of Engie S.A.

Rating incl. outlook / watch

A- / negative
A- / negative

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
Engie S.A.	03.12.2021	03.12.2021	withdrawal of the rating
Long Term Local Currency Senior unsecured issues of Engie S.A.	03.12.2021	03.12.2021	withdrawal of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating (CRA) has affirmed the unsolicited corporate issuer rating of Engie S.A. and the unsolicited corporate issue ratings of the long-term local currency senior unsecured notes issued by Engie S.A. at A- with a negative outlook. In this press release we also refer to the detailed report dated 15 May 2020, which contains further material information with regard to Engie S.A.

The current rating attests that Engie has a highly satisfactory level of creditworthiness, representing a low to medium default risk. Our rating assessment reflects Engie's strong market position in Europe and other relevant markets as one of the leading network operators and low-carbon electricity producers. The Company has a resilient, integrated business model and diversified product portfolio, and focuses on future-oriented low-carbon electricity generation and energy efficiency solutions.

The 2020 financial year was marked, among other things, by the COVID-19 pandemic, so that Engie S.A. took a net loss for the year (EAT before transfer) of 0.9 billion euros in addition to significant revenue losses. While EBIT after deduction of significant impairment losses of 3.6 billion euros was still positive at 0.9 billion euros, the Company's operating business could not compensate the interest expenses of around 2.1 billion euros.

By contrast, the first three quarters of the current financial year saw a return to noticeable revenue and earnings growth. Due to the again clearly positive profitability development in the first three quarters of 2021, Engie also expects to generate a higher result for the full year of 2021 than was communicated in the publication of the half-year results for 2021. Market conditions have also improved during 2021 with regard to nuclear power and hydropower in France. Engie also benefits from higher electricity prices in 2021, and a positive volume effect from the Belgian nuclear power plants is expected.

Engie forecasts full-year 2021 EBITDA of between 10.8 billion euros and 11.2 billion euros based on EBIT of between 6.1 billion euros and 6.5 billion euros, which would again be significantly higher than last year and higher than the 2019 figures.

Primary key rating drivers:

- + Strong market position in France and Europe
- + Good geographical diversification and scale
- + Integrated and diversified business model
- + Stable and predictable cash flows from regulated and contracted activities
- + Systemic importance and natural monopoly in gas network business in France
- + Ambitious and verified CO2 reduction targets by 2030
- + Strong know-how in energy efficiency services
- + Proved access to capital markets
- + Noticeable revenue and earnings growth in the first three quarters of 2021
- + Market conditions have improved during 2021

- Exposure to commodity prices and weather conditions
- Stringent regulation requirements due to energy transition
- Risk of changes in regulation (tariff framework)
- Capital-intensive business, required in order to retain the leading market position in relevant activities
- High degree of complexity of the business and organization
- Country risks
- Risks due to the ongoing COVID 19 pandemic

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Engie S.A. we have not identified any ESG factor with significant influence.

Although we have not identified any rating-relevant ESG factors for Engie, ESG factors play an important role for the company.

Engie stringently pursues the goal of accelerating the gradual transition to a carbon-neutral economy and has also integrated this goal into its corporate strategy. Engie aims to play a leading role in the energy transition and climate protection in Europe. In February 2020, 19 new 2030 targets were therefore set to monitor its corporate social responsibility (CSR) performance in the most concrete way possible. These targets are fully in line with the 17 Sustainable Development Goals set by the United Nations for 2030.

The company has made significant progress on ESG in recent years and the transformation is likely to continue as the company pursues its corporate strategy. Engie is a major player in the renewable energy sector in Europe, where Engie already operates roughly 40% of its total renewable capacity. In France, Engie is the first producer of onshore wind and solar energy and the second producer of hydropower.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A-

Looking ahead over the year and against the backdrop of the reported figures for the first three quarters of the current 2021 financial year, we assume in the best case that the economic situation will recover compared to the 2020 financial year, which we have already taken into account in the rating. Against this backdrop, Engie's favorable fundamental situation should also have a supportive effect on the rating. We currently consider an improvement in the operating and economic performance parameters beyond the forecasts to be unlikely. In addition, we assume that the state's share will remain constant.

Worst-case scenario: BBB+

In our worst-case scenario, we assume a rating of BBB+. In this case, both revenue and earnings would decline in the 2022 financial year, especially against the backdrop of the ongoing COVID 19 pandemic, but also due to price concessions, significant investment outflows, liquidity shortages due to increased counterparty risks, and/or a further increase in debt. This would thus also lead to a deterioration of Engie's financial ratios.

Analysts / Person approving (PAC):

Name	Function	Email-Address
Holger Becker	Lead analyst	H.Becker@creditreform-rating.de
Esra Bartel	Analyst	E.Bartel@creditreform-rating.de
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of Engie S.A.	Initialrating	30.12.2016	09.01.2017	23.04.2017	A- / stable
LT LC Senior Unsecured Issues issued by Engie S.A.	Initialrating	28.09.2018	09.10.2018	14.05.2020	A-

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. The rating object participated in the creation of the rating as follows:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.3	29.05.2019
Government-related Companies	1.0	19.04.2017
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

In 2011 Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG (CRA) is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

The provision of financial structural data and the data entry of annual financial statements were performed as ancillary services for affiliated third parties in the Group.

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA [website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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Creditreform Rating AG

Contact information

Creditreform Rating AG

Europadamm 2-6
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626
Telefax: +49 (0) 2131 / 109-627

E-Mail: info@creditreform-rating.de
Web: www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Michael Bruns

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