

12 December 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has set the unsolicited corporate issuer rating of Engie to **BBB+** / **stable**

Creditreform Rating (CRA) has adjusted the ratings of the unsolicited, public corporate issuer rating of Engie S.A. – hereafter referred to as Engie, the Company, or the Group - as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Engie S.A. from **A-** to **BBB+**. The outlook has set to **stable**. The initial unsolicited short-term rating of Engie S.A. has been set to **L3** (adequate level of liquidity).

Analysts

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Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + Strong market position in France and Europe
- + Stable and predictable cash flows from regulated and contracted activities
- + Due to higher volumes and prices, remarkable increase in sales in 2022
- + Based on the 9M 2023 figures, Engie expects the earnings situation to improve again in 2023
- + Business outlook raised for the full year 2023
- + Commitment to maintain leverage ratio economic net debt to EBITDA at or below 4.0x
- + Strong liquidity position and proved access to capital markets
- + Exposure to volatility of power prices is limited while energy sales have already been hedged for 2023 and securing energy supply due to expanding source

- CRA's equity and net total debt / EBITDA adj., dampened largely by margin calls / derivative instruments, fair value adjustments and financial debt rise
- Increased counterparty and financial risks (margin calls, derivative instruments)
- Worsening market conditions due to rising interest rates and risk of recession in Europe coupled with high uncertainty regarding further geopolitical course and actual economic consequences
- Integration risks linked to future acquisitions
- Possible leverage increase in connection with acquisitions/investments
- Country risks
- Increased risks due to the energy price crisis and rising production costs

ESG factors are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-criteria:

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

Although we have not identified any ESG factors for Engie, which would influence the rating, 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. Therefore, in February 2020, 19 new 2030 targets were 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. In France, Engie is the leading producer of onshore wind and solar energy and the second-leading producer of hydropower.

Engie has set itself the target to accelerate the development of renewable energy internationally, planning to add an average of 4 GW per year of renewable energy by 2025. In 9M 2023, the Company added 1.2 GW of renewable capacity. In addition, 7.6 GW are under construction. Its ambitious targets are very capital intensive, reflected in its high capex, but also necessary to cope with the energy transition. As financial support the European Commission has approved a contribution of EUR 5 billion to the development of Hydro.

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 result

Against the backdrop of the considerable reduction in earnings (EBT) in the 2022 financial year despite a significant increase in sales and the resulting partial deterioration in key financial figures, such as the economic equity ratio (calculated by CRA) and debt ratios, the rating was adjusted downwards by one notch. In this context, we also refer to our last rating report dated December 16, 2022 with regard to the outlook.

The current rating of **BBB+** attests a highly satisfactory level of creditworthiness, to the unsolicited corporate rating of Engie S.A., representing a low to medium default risk. Our rating assessment reflects the strong market position of Engie as one of the leading network operators and low-carbon electricity producers in Europe as well as in other relevant markets. The Company has a resilient, integrated business model and diversified product portfolio focusing on future-oriented low-carbon electricity generation and energy efficiency solutions. A substantial part of the Company's earnings is generated in regulated or contracted businesses, creating a basis for predictable and sustainable cash flows. The Group has strengthened its business profile by optimizing its activities with the divestiture of coal-fired power plants and enlarging the share of regulated and contracted activities. The Company is exposed to changes in commodity prices, weather, and regulation, as well as to operational and financial risks related to nuclear power

generation. The Company's growth strategy in sustainable energy generation and efficiency solutions, as well as its network operator activities in times of the energy transition, are associated with substantial capital expenditure. Given the French state's current interest in Engie's share capital, as well as its systemic importance for the country, we consider the Company to be government-related. This fact has a positive impact on our rating assessment; however, this supportive rating effect could be lost if the French state (CRA's unsolicited sovereign rating of French Republic: **AA / negative**; state of the report 21 April 2023)¹ were to further decrease its stake in the Company.

Outlook

The one-year outlook is **stable**. We assume a further, largely stable, global demand for power. In addition, due to reduced global investments in upstream activities during the pandemic in combination with the restrictions on Russian gas, we expect elevated price levels for hydrocarbons and nuclear power to persist. Nevertheless, earnings potential will be further dampened by ongoing policy measures in connection with the energy crisis. Against this backdrop and with the positive Group forecast, we assume that the Company will be able to maintain the rating within one year and to sustain possible economic fluctuations. The outlook may be revised if the risk of a persistent economic downturn in Europe, resulting from the tense geopolitical situation and paired with an energy and commodities supply crisis, should materialize.

Best-case scenario: **BBB+**

In our best-case scenario for one year, we assume a stable rating of **BBB+**. We assume that Engie's economic situation will stabilize in the 2023 financial year and that this stabilization will also be confirmed in the 2024 financial year.

Worst-case scenario: **BBB**

In the worst-case scenario for one year, we assume a rating of **BBB**. In this scenario, we assume that the economic environment will worsen following the energy and supply crisis, resulting in a deterioration of the Company's earnings or an enduring disproportionate increase in debt compared to earnings. A downgrade of the unsolicited sovereign rating of France, with no impact on Engie's economic situation, would not necessarily lead to a downgrade of the Company, as the sovereign rating grade has a certain buffer.

Business development and outlook

During the 2022 financial year, consolidated revenues amounted to EUR 93,865 million (2021: EUR 57,866 million), improving by 62.2% compared to 2022. The segments with the greatest growth were "Renewables", "Thermal" and "Others". The "Others" segment is largely characterized by the GEMS division. GEMS is projected to further enhance the integrated business model securing energy supply, optimising and managing risks for ENGIE and third parties.

Revenues for Renewables amounted to EUR 6,216 million, up 70.1% on a gross basis and up 58.3% organically. The gross increase was due to favourable foreign exchange effects mainly

¹ For more details, see the rating report published on our website: www.creditreform-rating.de

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.

from the appreciation of the Brazilian Real against the Euro. On an organic basis, revenue growth was mainly driven by capacity additions and higher hydro prices in France.

Revenues for Thermal amounted to EUR 7,129 million, up 74.3% on a gross basis and up 62.6% organically. The gross increase benefited from positive foreign exchange effects mainly in Chile, Peru and Pakistan. The organic performance is mainly driven with exceptional level of spreads and increased ancillaries in Europe. Americas shows a positive growth thanks to the indexation of PPA contracts in a context of rising commodity prices and inflation.

Revenues for Others amounted to EUR 45,163 million. The increase compared to last year is mainly driven by GEMS (EUR 45,137 million) essentially impacted by increase in commodity prices combined with higher volumes.

The reported EBITDA amounted to EUR 13,700 million (FY 2021: EUR 10,600 million) and EBIT amounted to EUR 9,000 (FY 2021: EUR 6,100 million).

The EAT in the financial year 2022 of EUR 389 million (FY 2021: EUR 3,758 million) was significantly impacted by high non-operating expenses, which are not expected to be on this scale again in the 2023 financial year. In this respect, the result for the current financial year is likely to improve again compared to the 2022 financial year.

The following table shows the business situation of Engie in the 2022 fiscal year using selected key figures:

Table 1: Financials I Source: Engie S.A. Annual Report 2022, standardized by CRA

Engie S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, Group)	CRA standardized figures ²	
	2021	2022
Sales (million EUR)	57,866	93,865
EBITDA (million EUR)	10,367	6,797
EBIT (million EUR)	5,997	2,222
EAT (million EUR)	3,758	389
EAT after transfer (million EUR)	3,661	216
Total assets (million EUR)	214,305	225,765
Equity ratio (%)	18.05	15.93
Capital lock-up period (days)	203.09	152.30
Short-term capital lock-up (%)	100.36	52.13
Net total debt / EBITDA adj. (factor)	14.72	18.31
Ratio of interest expenses to total debt (%)	1.17	1.93
Return on Investment (%)	2.41	1.53

Fair value adjustments of derivative instruments and margin deposits caused an immense balance sheet extension, deteriorating CRA's financial key figures equity ratio and net total debt / EBITDA adj. (see the figures in table 1). However, as these are temporary effects, and the Com-

² For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

pany has sufficient financial headroom, these factors do not currently affect the rating. The margin deposits will be expected returned to Engie in 2023 and 2024 when the underlying positions go into delivery, or when prices normalize.

Another highlight in the financial year 2022 has been the completion of the sale of EQUANS to Bouygues in October 2022, enabling Engie to reduce its net financial debt by around EUR 7.1 billion.

Despite the Group's extraordinary performance, benefitting in part from the current market conditions, Engie faces a range of uncertainties which could have a negative impact on its business as a result of the war in Ukraine. Against the backdrop of increased energy prices, disruptions in supply chains and an inflationary environment, the risks of a persistent economic downturn or even a recession in Europe have become more acute. To cover its energy needs, the Company has started a range of initiatives, especially through new contracts and new supply sources such as LNG. Engie has been able to withstand significant disruptions in Russian gas flows with no impact on physical supply, thus playing a leading role in supporting security of supply in Europe. The new sources, including LNG, should also replace the dependence on Russia's gas in the future. The Group has also strengthened its financial headroom by increasing its liquidity reserves, to counter the ongoing phase of extreme volatility in the energy commodities market.

Overall, the Group displays satisfactory development aided by strong market dynamics, but also causing significant adjustments related to its financial instruments and margin requirements, which temporarily affects the Group's financial statements and increased liquidity needs. However, the Company has sufficient liquidity headroom, and its very good capital market access will serve to mitigate these temporary effects. Nonetheless, it remains to be seen how the economy will develop in line with the geopolitical situation, and what the actual impact will be, as it is currently characterized by a high degree of uncertainty, also reflected in the volatile energy price development.

Based on the Q3 figures for 2023, Engie expects the earnings situation to improve again in 2023. Both EBITDA and EBIT were roughly 11% and 27% higher respectively in the first nine months of 2023 compared to the same period of the previous year. Against this backdrop, the FC for the full year 2023 has been raised and is now given as a range of EUR 13.4 bn to EUR 14.4 bn for EBITDA (es. Nuclear Belgium) and EUR 9.0 bn to EUR 10.0 bn for EBIT (ex. Nuclear Belgium).

Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of Engie S.A. has been set to **L3** (standard mapping), which corresponds to an adequate level of liquidity for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Engie S.A., which are included in the list of ECB-eligible marketable assets.

Engie S.A. is guarantor in respect of the issues that have been issued by the above mentioned company under the EMTN programme, with the last basis prospectus of 17 May 2023 and with the supplements of 04 August 2023 and 21 November 2023.

We have provided the long-term local currency senior unsecured notes issued by Engie S.A. with an unsolicited rating of **BBB+ / stable**. The rating is based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by Engie S.A., which have similar conditions to the current EMTN programme, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Engie S.A.	12.12.2023	BBB+ / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues issued by Engie S.A.	12.12.2023	BBB+ / stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under the following [link](#).

Table 5: Corporate issuer rating of Engie S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial Rating	30.12.2016	09.01.2017	23.04.2017	A- / stable

Table 6: Corporate Issue rating of Engie S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Initial rating	28.09.2018	09.10.2018	14.05.2020	A- / stable

Regulatory requirements

The rating³ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

³ 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.

Name	Function	Mail-Address
Holger Becker	Lead-analyst	H.Becker@creditreform-rating.de
Esra Höffgen	Analyst	E.Hoeffgen@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Stephan Giebler	PAC	S.Giebler@creditreform-rating.de

On 12 December 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 13 December 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for 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](#).

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.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final ratings reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rated entity or for third parties associated with the rated entity:

Credit Service ancillary services for related third parties.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's [website](#).

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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