Engie S.A.

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	A	Stable	Affirmed 22 May 2019
Short-Term IDR and Commercial Paper	F1		Affirmed 22 May 2019
Senior Unsecured	A		Affirmed 22 May 2019
Subordinated	BBB+		Affirmed 22 May 2019
Electrabel S.A.; Long-Term IDR	A	Stable	Affirmed 22 May 2019
Engie Invest International S.A.; Long-Term IDR	A	Stable	Affirmed 22 May 2019
Engie Alliance GIE; Senior Unsecured	A		Affirmed 22 May 2019

Click here for full list of ratings

Financial Summary

(EURm)	Dec 2016	Dec 2017	Dec 2018	Dec 2019F[a]	Dec 2020F[a]	Dec 2021F[a]
Gross Revenue	64,840	59,576	60,596	61,681	65,434	69,355
Operating EBITDAR Margin (%)	14.4	15.4	15.1	14.7	14.8	14.8
FFO Margin (%)	10.3	10.4	9.7	10.2	10.5	10.5
FFO Fixed-Charge Coverage (x)	4.8	5.3	5.0	5.4	5.6	5.9
FFO Adjusted Net Leverage (x)	3.9	3.7	3.7	3.6	3.4	3.3

[a] Fitch forecasts do not reflect the impact of IFRS 16 (including on EBITDA and debt)
Source: Fitch Ratings, Fitch Solutions

The ratings reflect Engie's strong market positions and the low carbon footprint of its power generation activities, which together with a large share of regulated and contracted EBITDA result in a business profile that Fitch Ratings regards as one of the strongest of the European utilities. The ratings are based on Engie's consolidated profile, reflecting its conservative financial policy including target net debt/EBITDA of up to 2.5x. We equalise the ratings of the rated subsidiaries with those of the parent, reflecting for Electrabel S.A. (A/Stable) its significant contribution to the group and for Engie Invest International S.A. (A/Stable) and Engie Alliance GIE, the guarantees Engie provides on their debt.

Key Rating Drivers

Strong Market Positions: Engie has strong market positions in low-CO2 power-generation capacity in Europe, Latam, the Middle East, Africa and Asia, European gas transmission and distribution, and customer solutions. On completion of the 2016-2018 strategic plan and asset-disposal programme, including the disposal of exploration and production (E&P) and LNG businesses in 2018, earnings sensitivity to commodity prices has been substantially reduced and nearly 90% of generation output is low carbon.

Group Optimisation: The recent change in reporting by the creation of four business lines for each global activity improves comparability and visibility. This is supported by a fresh cost-reduction programme of EUR800 million through 2021, accompanied by an investment focus on fewer geographies, 20 countries and 30 urban areas.

Focus on Regulated, Contracted EBITDA: The ratings reflect Engie's high share of regulated, quasi-regulated and contracted activities in EBITDA following the group's transformation and asset disposals, which supports cash flow predictability. Fitch estimates that the share of regulated, quasi-regulated and contracted EBITDA is set to decrease from around 75% in 2019 to 68% in 2021. This reflects regulatory reviews in French gas transmission and distribution, recovery in the EBITDA of nuclear power plants, and growth in asset-light as well as asset-based client solutions.

The long-term implication is of reduced debt capacity with year average power purchase agreements of 13 years in thermal generation compared with average contract lives of eight years in client solutions.

Growth Challenge in Client Solutions: Engie is targeting 3.5%-6.0% CAGR in group EBITDA over 2019-2021 and 6.5%-8.5% CAGR in EBIT, led by 11%-14% in client solutions and 8%-11% in renewables. The client solutions business accounts for nearly 40% of growth capex through 2021. However, we believe that the growth target in client solutions remains challenging as it depends partly on acquisitions with execution risk, while this business is heavily dependent on France, where growth prospects are relatively limited. However, the break-out of supply and breakdown between asset-light and asset-based activities in client solutions improves transparency and comparability with peers.

Prudent Financial Policy: Engie is conservatively targeting net debt to EBITDA of up to 2.5x and with a long record of keeping this ratio within the limit. This is supported by a capex programme of EUR20 billion over 2019-2021, including potential tuck-in acquisitions, but is lower than the EUR22.7 billion invested over 2016-2018. Engie has some capex flexibility should cashflow be lower than expected. We view Engie's recently announced joint venture with EDP - Energias de Portugal, S.A. (BBB-/Stable) for offshore wind investments as an example of prudent policy allowing both partners to share the risks and expertise. The JV plans to reach 5GW-7GW of projects in operation or construction by 2025.

M&A Activity Neutral: The recent acquisition of Brazil's largest natural gas transmission network Transportadora Associada de Gas S. A. (TAG) has little impact on Engie's leverage metrics as the company will be equity-consolidated due to the acquisition funding structure. The dividend policy of a 65%-75% pay out is in line with utilities with a lower share of regulated business. Also, the disposal programme of EUR6 billion through 2021 has already been partly achieved, including EUR2.7 billion from the sale of Thailand-based power producer Glow in March and European coal announced in April 2019.

FCF Neutral from Negative: France networks and thermal are the biggest generators of free cash flow (FCF), with nuclear, renewables and asset-light client solutions the main offsets. This is set to shift slightly with the 'develop, build, partially sell, operate' (DBpSO) model improving FCF generation in renewables, but this is more than offset by capex, including likely acquisitions in client solutions. As a result of large capex but also a negative shift in working capital, we expect FCF to be negative in 2019, turning broadly neutral from 2020.

Increased Nuclear Provisions Funding: The rating case includes our assumption of increased funding for nuclear provisions from 2019 onwards, as currently only 25% of nuclear provisions for Belgian power plants are funded with dedicated assets at the Engie group level. The first two of seven operational nuclear power plants are due to be decommissioned in 2022-2023.

Rating Headroom to Improve: We expect Engie's EBITDA and FFO to increase in 2019-2021, due to improved profitability of nuclear power plants in Belgium on their better availability of generation output from 2019, and gradually rising EBITDA in renewables and client solutions. This should improve FFO adjusted net leverage to about 3.3x in 2021 from 3.7x in 2018 creating modest rating headroom under the negative rating sensitivity of 3.7x.

Rating Derivation Relative to Peers

Rating Derivation Versus Peers	
Peer Comparison	Engie's notch differential to local peer EDF S.A. (A-/Stable) reflects stronger cash generation and credit metrics, plus lower nuclear exposure to price risk, capex needs and technology risk. Partly offsetting this, we expect further asset sales at EDF, supporting credit metrics. Projected leverage and coverage metrics are stronger than Enel S.p.A.'s (A-/Stable). Regulated and contracted EBITDA is around 75% of total for Engie; this is slightly higher than peers E.ON SE (BBB+/Stable) and EDF, while prospective average FFO adjusted net leverage of 3.4x is stronger than peers' leverage of 3.7x - 4.6x. Unlike E.ON and Iberdrola, S.A. (BBB+/Stable), Engie and EDF do not receive any uplift to the senior unsecured rating. This reflects above-average recovery prospect assumptions in the case of E.ON and Iberdrola, given that the earnings contribution from their regulated networks is above 50%.
Parent/Subsidiary Linkage	We rate Engie on a standalone basis, because the French state owning 23.64% of the share capital and 34.26% of the voting rights does not have majority economic or voting control over Engie. Fitch aligns the ratings of two subsidiaries – Engie Invest International and Engie Alliance GIE – with the ratings of Engie based on the guarantees of debt issued by the company. Electrabel is rated at the same level as the parent, reflecting strong operational and strategic ties including Electrabel's 36% contribution to group EBITDA (based on 2018 results), and despite the absence of guarantees, a less-predictable business mix, potential regulatory hurdles from nuclear affecting credit linkage, and plans to review Electrabel's ownership structure.
Country Ceiling	No Country Ceiling constraint was in effect for these ratings.
Operating Environment	No operating environment influence was in effect for these ratings.
Other Factors	n.a.

Source: Fitch Ratings

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
Engie S.A.	A/Sta	aa	a-	a-	a	a-	a-	bbb+	a	a
Electricite de France (EDF)	A-/Sta	aa	a-	bbb	bbb	a-	a	bbb	a-	bbb+
Enel S.p.A.	A-/Sta	a-	a-	a	bbb	bbb	a-	a-	bbb+	a-
Iberdrola, S.A.	BBB+/Sta	a	a-	a	bbb	bbb	a-	bbb	bbb	bbb+
E.ON SE	BBB+/Sta	aa	a	bbb+	bbb	bbb+	bbb+	bbb+	bbb	bbb-

Source: Fitch Ratings

Importance: Higher / Moderate / Lower

Issuer		Business profile						Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
Engie S.A.	A/Sta	3.0	-1.0	-1.0	0.0	-1.0	-1.0	-2.0	0.0	0.0
Electricite de France (EDF)	A-/Sta	4.0	0.0	-2.0	-2.0	0.0	1.0	-2.0	0.0	-1.0
Enel S.p.A.	A-/Sta	0.0	0.0	1.0	-2.0	-2.0	0.0	0.0	-1.0	0.0
Iberdrola, S.A.	BBB+/Sta	2.0	1.0	2.0	-1.0	-1.0	1.0	-1.0	-1.0	0.0
E.ON SE	BBB+/Sta	5.0	2.0	0.0	-1.0	0.0	0.0	0.0	-1.0	-2.0

Source: Fitch Ratings

Worse positioned than IDR / In line with IDR / Better positioned than IDR

Rating Sensitivities

Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Reduction of FFO adjusted net leverage to below 2.7x on a sustained basis
- FFO fixed-charge cover above 5.5x on a sustained basis.

Developments That May, Individually or Collectively, Lead to Negative Rating Action

- FFO adjusted net leverage of 3.7x or above on a sustained basis
- FFO fixed-charge cover below 4x on a sustained basis
- Major debt-funded acquisition
- Substantial reduction in the share of regulated & contracted EBITDA
- Changes to Electrabel's shareholding structure leading to materially weaker ties with Engie.

Liquidity and Debt Structure

Sound Liquidity: Fitch-calculated readily available cash and cash equivalents amounted to EUR9.9 billion at end-2018. Unused committed liquidity facilities at the same date were an additional EUR12.5 billion excluding the facilities expiring in 2019. Fitch believes that liquidity is sufficient to meet Engie's operating needs and debt maturities until 2021.

Liquidity and Debt Maturity Scenario with No Refinancing

Available Liquidity (EURm)	2019F	2020F
Beginning Cash Balance	9,871	3,256
Rating Case FCF After Acquisitions and Divestitures	-1,504	-98
Total Available Liquidity (A)	**8,367**	**3,158**
Liquidity Uses		
Debt Maturities	-5,111	-3,577
Total Liquidity Uses (B)	**-5,111**	**-3,577**
Liquidity Calculation		
Ending Cash Balance (A+B)	3,256	-419
Revolver Availability	12,472	11,209
Ending Liquidity	**15,728**	**10,790**
Liquidity Score	**4.1**	**4.0**

Source: Fitch Ratings, Fitch Solutions, Engie

Scheduled Debt Maturities	Original
Statement Date	**31 December 2018**
2019	5,111
2020	3,577
2021	2,291
2022	3,030
2023	3,035
Thereafter	14,152
Total (excluding hybrid bonds)	**31,195**

Source: Fitch Ratings, Fitch Solutions, Engie

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer

- French regulated gas EBITDA forecasts based on overall return from 2020 of 4.7% in distribution and 5.0% in transmission; RAB rolled forward using Fitch Sovereigns estimates of French CPI at 1.7% in 2019 and 1.5% in 2020-2021
- Renewables EBITDA based on annual capacity additions of 2GW, zero price impact
- Thermal EBITDA based on asset sales, including Glow in March 2019 (EBITDA impact of EUR370 million)
- Client solutions asset-light EBITDA growth lower than expected by management to reflect execution risk in acquisitions
- TAG Brazil acquisition completed in June 2019 (with about EUR1.6 billion impact on Engie's consolidated net debt)
- Dividends in line with management assumptions
- Increased funding for nuclear provisions from 2019 onwards resulting in additional cash outflow of EUR800 million a year (on top of our assumption of EUR200 million of recurring annual funding, which is comparable with the funding level in 2018, reported as increase in Synatom investments)
- No substantial impact of the JV with EDP on projections until 2021
- Fitch forecasts do not reflect the impact of IFRS 16 (including on EBITDA and debt)

Financial Data

	Historical			Forecast[a]		
(EURm)	Dec 2016	Dec 2017	Dec 2018	Dec 2019F	Dec 2020F	Dec 2021F
Summary Income Statement						
Gross Revenue	64,840	59,576	60,596	61,681	65,434	69,355
Revenue Growth (%)	-7.2	-8.1	1.7	1.8	6.1	6.0
Operating EBITDA (Before Income from Associates)	8,700	8,715	8,647	8,622	9,260	9,849
Operating EBITDA Margin (%)	13.4	14.6	14.3	14.0	14.2	14.2
Operating EBITDAR	9,354	9,145	9,123	9,057	9,697	10,288
Operating EBITDAR Margin (%)	14.4	15.4	15.1	14.7	14.8	14.8
Operating EBIT	4,884	4,749	4,765	4,907	5,480	5,997
Operating EBIT Margin (%)	7.5	8.0	7.9	8.0	8.4	8.6
Gross Interest Expense	-936	-812	-713	-993	-1,029	-1,053
Pretax Income (Including Associate Income/Loss)	803	1,347	1,264	3,428	3,274	3,802
Summary Balance Sheet						
Readily Available Cash and Equivalents	10,587	10,017	9,871	11,516	8,405	9,226
Total Debt with Equity Credit	37,344	34,244	33,005	35,829	33,118	34,953
Total Adjusted Debt with Equity Credit	42,576	37,684	36,813	39,309	36,614	38,465
Net Debt	26,757	24,227	23,134	24,313	24,713	25,728
Summary Cash Flow Statement						
Operating EBITDA	8,700	8,715	8,647	8,622	9,260	9,849
Cash Interest Paid	-1,065	-992	-984	-993	-1,029	-1,053
Cash Tax	-896	-516	-757	-738	-966	-1,006
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	58	-5	-172	100	90	-8
Other Items Before FFO	-288	-1,109	-942	-740	-552	-519
Funds Flow from Operations	6,646	6,200	5,871	6,311	6,853	7,304
FFO Margin (%)	10.3	10.4	9.7	10.2	10.5	10.5
Change in Working Capital	1,842	1,613	149	-575	-141	-119
Cash Flow from Operations (Fitch Defined)	8,488	7,813	6,020	5,736	6,712	7,185
Total Non-Operating/Non-Recurring Cash Flow	111	476	17			
Capital Expenditure	-5,188	-5,674	-6,068			
Capital Intensity (Capex/Revenue) (%)	8.0	9.5	10.0			
Common Dividends	-2,468	-2,085	-1,740			
Free Cash Flow	943	530	-1,771			
Net Acquisitions and Divestitures	1,974	1,581	1,660			
Other Investing and Financing Cash Flow Items	-337	-1,967	-686	325	-302	-2
Net Debt Proceeds	-1,848	-1,382	385	2,824	-2,711	1,835
Net Equity Proceeds	-20	346	174	0	0	0
Total Change in Cash	712	-892	-238	1,645	-3,111	821
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-5,571	-5,702	-6,131	-7,240	-6,810	-8,197

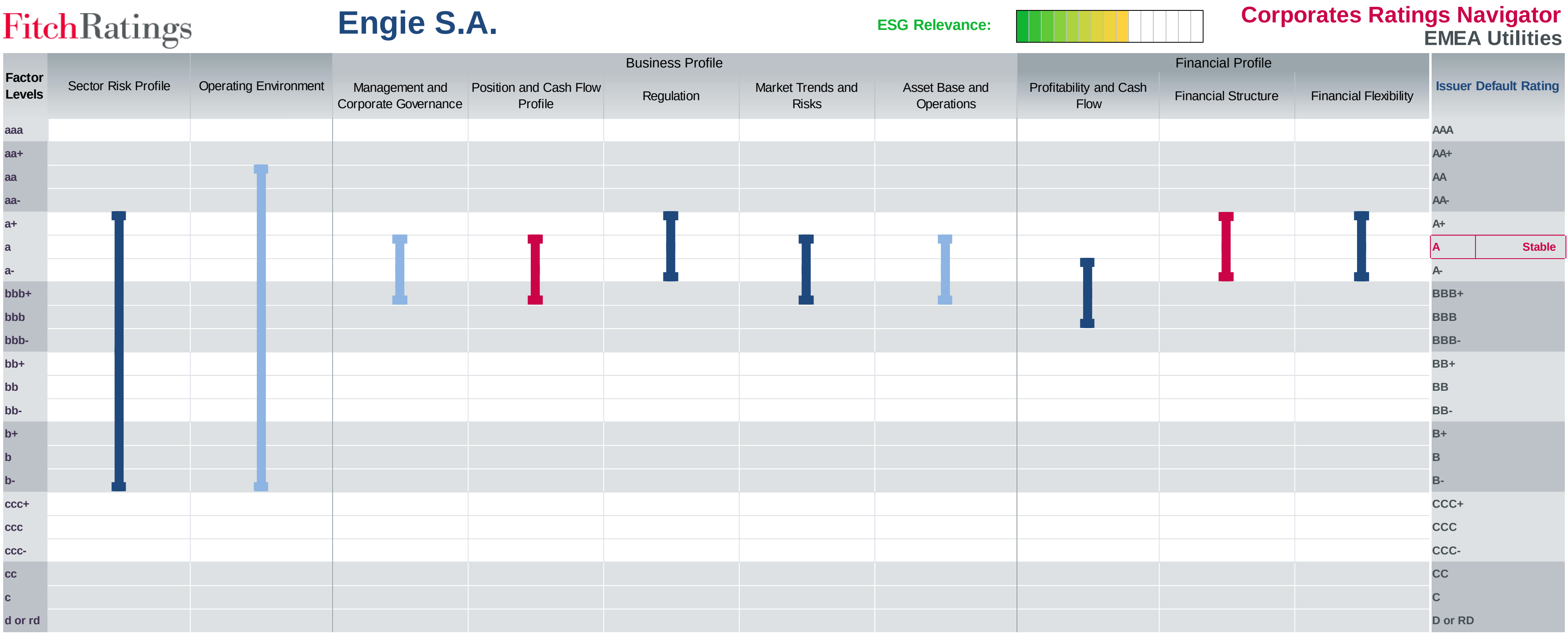
Free Cash Flow After Acquisitions and Divestitures	2,917	2,111	-111	-1,504	-98	-1,013
Free Cash Flow Margin (After Net Acquisitions) (%)	4.5	3.5	-0.2	-2.4	-0.2	-1.5
Coverage Ratios						
FFO Interest Coverage (x)	7.1	7.1	6.9	7.3	7.6	7.9
FFO Fixed-Charge Coverage (x)	4.8	5.3	5.0	5.4	5.6	5.9
Operating EBITDAR/Interest Paid + Rents (x)	5.5	6.4	6.1	6.4	6.7	6.9
Operating EBITDA/Interest Paid (x)	8.2	8.8	8.6	8.8	9.1	9.4
Leverage Ratios						
Total Adjusted Debt/Operating EBITDAR (x)	4.5	4.1	4.1	4.3	3.7	3.7
Total Adjusted Net Debt/Operating EBITDAR (x)	3.4	3.0	3.0	3.0	2.9	2.8
Total Debt with Equity Credit/Operating EBITDA (x)	4.3	3.9	3.9	4.1	3.5	3.6
FFO Adjusted Leverage (x)	5.2	5.0	5.1	5.1	4.4	4.4
FFO Adjusted Net Leverage (x)	3.9	3.7	3.7	3.6	3.4	3.3

[a] Fitch forecasts do not reflect the impact of IFRS 16 (incl. on EBITDA and debt)
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator



FitchRatings

Engie S.A.

Corporates Ratings Navigator
EMEA Utilities

Operating Environment

	Sub-Factor		Description
aa+	Economic Environment	aa	Very strong combination of countries where economic value is created and where assets are located.
aa	Financial Access	aa	Very strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	aa	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'aa'.
b-			
ccc+			

Management and Corporate Governance

	Sub-Factor		Description
a+	Management Strategy	a	Coherent strategy and good track record in implementation.
a	Governance Structure	a	Experienced board exercising effective checks and balances. Ownership can be concentrated among several shareholders.
a-	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb+	Financial Transparency	a	High-quality and timely financial reporting.
bbb			

Position and Cash Flow Profile

	Sub-Factor		Description
a+	Market Presence and Integration	a	Top-tier position in more than one market. Vertically integrated (typically including generation, transmission, distribution and supply).
a	Earnings from Regulated Network Assets	bbb	Less than 40% of EBITDA comes from high-quality regulated network assets.
a-	Quasi-Regulated Earnings	a	Over 20% of EBITDA comes from quasi-regulated assets in markets or from long-term contracted sales with creditworthy counterparties.
bbb+			
bbb			

Regulation

	Sub-Factor		Description
aa-	Regulatory Framework and Policy Risk	a	Transparent frameworks with strong track record and multi-year predictable tariffs set by independent regulators; little political risk.
a+	Cost Recovery and Risk Exposure	a	Tariff setting that may marginally limit cost and investment recovery, with little regulatory lag, price and volume risk.
a			
a-			
bbb+			

Market Trends and Risks

	Sub-Factor		Description
a+	Fundamental Market Trends	bbb	Markets with emerging structural challenges.
a	Generation and Supply Positioning	a	Strong position in the merit order; effective hedging; flexible fuel procurement. Generation balanced with strong position in supply and services.
a-	Customer Base and Counterparty Risk	a	Economy of area served provides structurally stable background; low counterparty risk; high collection rates for supply operations.
bbb+			
bbb			

Asset Base and Operations

	Sub-Factor		Description
a+	Asset Quality	bbb	Mid-range asset quality not likely to affect opex and capex requirements compared with peers.
a	Asset Diversity	a	High diversification by geography, generation source, supplied product; multi-jurisdictional utility or regional multi-utility.
a-	Carbon Exposure	a	Energy production mostly from clean sources and low carbon exposure (< 300gCO2/kWh).
bbb+			
bbb			

Profitability and Cash Flow

	Sub-Factor		Description
a	Free Cashflow	bbb	Structurally neutral to negative FCF across the investment cycle.
a-	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb+			
bbb			
bbb-			

Financial Structure

	Sub-Factor		Description
aa-	Lease Adjusted FFO Gross Leverage	a	3.5x
a+	Lease Adjusted FFO Net Leverage	a	3.0x
a			
a-			
bbb+			

Financial Flexibility

	Sub-Factor		Description
aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	aa	Very comfortable liquidity; no need to use external funding in the next 24 months. Well-spread debt maturity. Diversified sources of funding.
a	FFO Fixed Charge Cover	a	5.0x
a-	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.
bbb+			

Credit-Relevant ESG Derivation

Engie S.A. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

Engie S.A.

Corporates Ratings Navigator
EMEA Utilities

Credit-Relevant ESG Derivation

Engie S.A. has 12 ESG potential rating drivers

- Engie S.A. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Engie S.A. has exposure to energy productivity risk but this has very low impact on the rating.
- Engie S.A. has exposure to waste & impact management risk but this has very low impact on the rating.
- Engie S.A. has exposure to extreme weather events but this has very low impact on the rating.
- Engie S.A. has exposure to access/affordability risk but this has very low impact on the rating.
- Engie S.A. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow	5
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants; effluent management	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability and Cash Flow	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

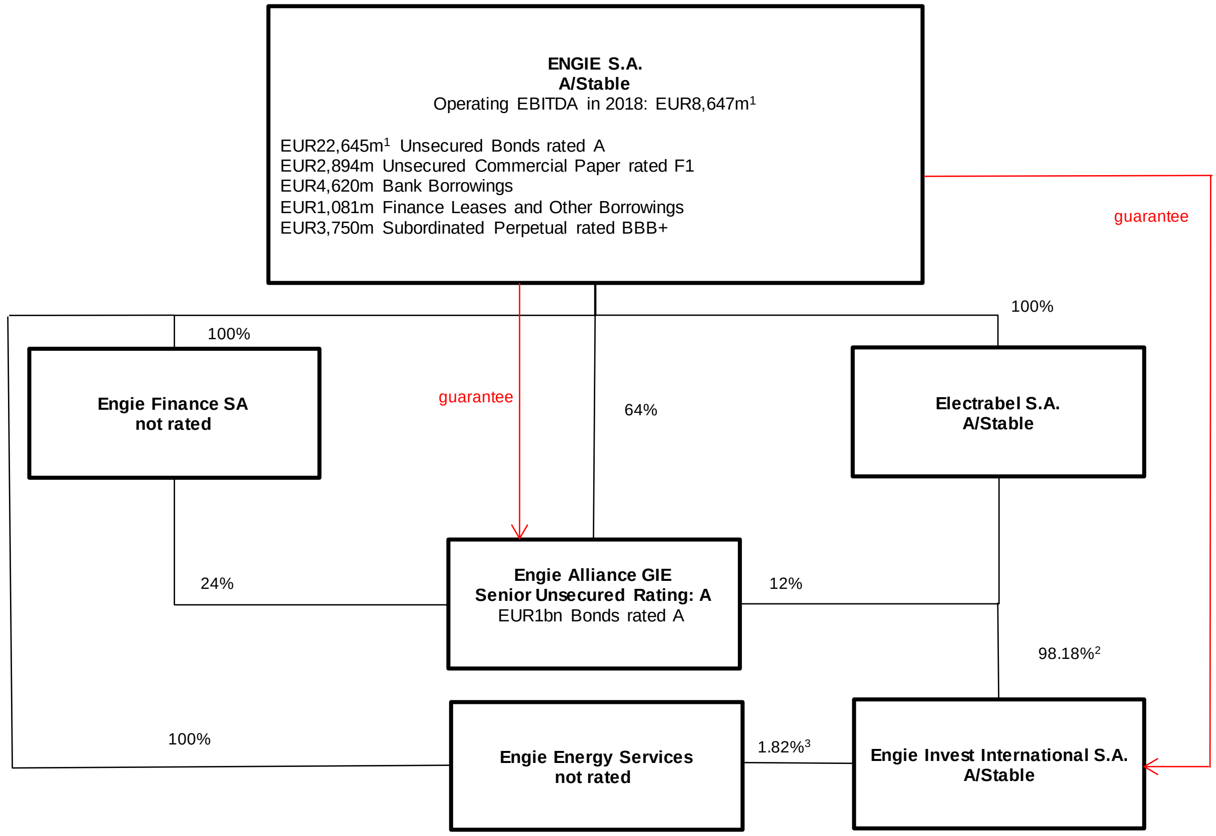
Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



[1] Operating EBITDA and debt details for Engie S.A. are based on consolidated financials
[2] Directly and through 100%-owned affiliates
[3] Through several Belgian entities of Engie Energy Services
Source: Fitch Ratings, Fitch Solutions, Engie; as of end-December 2018

Peer Financial Summary

Company	IDR	Financial Statement Date	Funds Flow from Operations (EURm)	FFO Margin (%)	FFO Fixed-Charge Coverage (x)[a]	FFO Adjusted Net Leverage (x)[a]
Engie S.A.	A					
	A	2018	5,871	9.7	5.0	3.7
	A	2017	6,200	10.4	5.3	3.7
		2016	6,646	10.3	4.8	3.9
Electricite de France (EDF)	A-					
	A-	2018	11,646	16.9	5.0	3.1
	A-	2017	7,774	11.2	3.6	4.1
	A-	2016	11,772	16.5	5.2	3.5
Enel S.p.A.	A-					
	BBB+	2018	10,366	13.7	4.8	3.9
	BBB+	2017	10,338	13.9	4.9	3.5
	BBB+	2016	8,305	12.1	3.6	3.9
Iberdrola, S.A.	BBB+					
	BBB+	2018	7,299	20.8	6.6	4.4
	BBB+	2017	5,141	16.4	5.3	5.8
	BBB+	2016	5,701	19.8	5.2	4.6
E.ON SE	BBB+					
	BBB+	2018	2,909	9.8	3.2	3.1
	BBB+	2017	3,570	9.4	7.5	4.2
	BBB+	2016	5,541	14.5	5.2	3.7

[a] These are nuclear-adjusted metrics for E.ON
Source: Fitch Ratings, Fitch Solutions

Reconciliation of Key Financial Metrics

(EUR Millions, As reported)	31 Dec 2018
Income Statement Summary	
Operating EBITDA	8,647
+ Recurring Dividends Paid to Non-controlling Interest	-796
+ Recurring Dividends Received from Associates	624
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	**8,475**
+ Operating Lease Expense Treated as Capitalised (h)	**476**
= Operating EBITDAR after Associates and Minorities (j)	**8,951**
Debt & Cash Summary	
Total Debt with Equity Credit (l)	**33,005**
+ Lease-Equivalent Debt	3,808
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	**36,813**
Readily Available Cash [Fitch-Defined]	8,641
+ Readily Available Marketable Securities [Fitch-Defined]	1,230
= Readily Available Cash & Equivalents (o)	**9,871**
Total Adjusted Net Debt (b)	**26,942**
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	**0**
Interest Received	79
+ Interest (Paid) (d)	**-984**
= Net Finance Charge (e)	**-905**
Funds From Operations [FFO] (c)	**5,871**
+ Change in Working Capital [Fitch-Defined]	149
= Cash Flow from Operations [CFO] (n)	**6,020**
Capital Expenditures (m)	**-6,068**
Multiple applied to Capitalised Leases	**8.0**
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	**4.1**
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	**5.1**
Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	**3.9**
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	**3.0**
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	**3.7**
Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	**-482.0**
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	**6.1**
Op. EBITDA / Interest Paid* [x] (k/(-d))	**8.6**
FFO Fixed Charge Cover [x] ((c+e+h-f)/(-d+h-f))	**5.0**
(FFO + Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)	
FFO Gross Interest Coverage [x] ((c+e-f)/(-d-f))	**6.9**
(FFO + Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)	

* EBITDA/R after Dividends to Associates and Minorities

Source: Fitch Ratings, Fitch Solutions, Engie

Fitch Adjustment Reconciliation

	Reported Values 31 Dec 18	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Cash Adjustment	Lease Adjustment	Hedging arrangements	Hybrid Adjustment	Other Adjustment	Adjusted Values
Income Statement Summary									
Revenue	60,596	0							60,596
Operating EBITDAR	9,236	-113			476			-589	9,123
Operating EBITDAR after Associates and Minorities	9,236	-285	-172		476			-589	8,951
Operating Lease Expense	0	476			476				476
Operating EBITDA	9,236	-589						-589	8,647
Operating EBITDA after Associates and Minorities	9,236	-761	-172					-589	8,475
Operating EBIT	5,354	-589						-589	4,765
Debt & Cash Summary									
Total Debt With Equity Credit	31,435	1,570				-351	1,875	46	33,005
Total Adjusted Debt With Equity Credit	31,435	5,378			3,808	-351	1,875	46	36,813
Lease-Equivalent Debt	0	3,808			3,808				3,808
Other Off-Balance Sheet Debt	0	0							0
Readily Available Cash & Equivalents	9,930	-59		-59					9,871
Not Readily Available Cash & Equivalents	0	59		59					59
Cash-Flow Summary									
Preferred Dividends (Paid)	0	0							0
Interest Received	79	0							79
Interest (Paid)	-727	-257					-123	-134	-984
Funds From Operations [FFO]	6,488	-617	-172				-123	-322	5,871
Change in Working Capital [Fitch-Defined]	149	0							149
Cash Flow from Operations [CFO]	6,637	-617	-172				-123	-322	6,020
Non-Operating/Non-Recurring Cash Flow	17	0							17
Capital (Expenditures)	-6,202	134						134	-6,068
Common Dividends (Paid)	-1,863	123					123		-1,740
Free Cash Flow [FCF]	-1,411	-360	-172					-188	-1,771
Gross Leverage									
Total Adjusted Debt / Op. EBITDAR* [x]	3.4								4.1
FFO Adjusted Leverage [x]	4.4								5.1
Total Debt With Equity Credit / Op. EBITDA* [x]	3.4								3.9
Net Leverage									
Total Adjusted Net Debt / Op. EBITDAR* [x]	2.3								3.0
FFO Adjusted Net Leverage [x]	3.0								3.7
Total Net Debt / (CFO - Capex) [x]	49.4								-482.0
Coverage									
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	12.7								6.1
Op. EBITDA / Interest Paid* [x]	12.7								8.6
FFO Fixed Charge Coverage [x]	9.8								5.0
FFO Interest Coverage [x]	9.8								6.9

*EBITDA/R after Dividends to Associates and Minorities
Source: Fitch Ratings, Fitch Solutions, Engie

The main adjustments include the following:

– standard multiple of 8x applied to operating leases, excluding short-term assets, specifically vehicles

– 50% equity credit assigned to hybrid bonds

– debt adjustments for derivatives hedging borrowings

– capitalised borrowing costs moved from capex to interest paid

– recurring annual increase in Synatom investments moved to other items before FFO from acquisition of equity and debt instruments

Fitch forecasts do not reflect the impact of IFRS 16 (including on EBITDA and debt).

Related Research & Criteria

Top European Integrated Utilities: Peer Review (May 2019)
What Investors Want to Know: Utilities' Carbon Dioxide (January 2019)
Fitch Ratings 2019 Outlook: EMEA Utilities (December 2018)
What Investors Want to Know: Utilities' Renewables (November 2018)
Corporate Rating Criteria (February 2019)
Parent and Subsidiary Rating Linkage (July 2018)
Short-Term Ratings Criteria (May 2019)
Corporates Notching and Recovery Ratings Criteria (March 2018)
Country-Specific Treatment of Recovery Ratings Criteria (January 2019)
Corporate Hybrids Treatment and Notching Criteria (November 2018)

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