FitchRatings

Corporates
Utilities - Non US
France

Engie S.A.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term IDR	A-	Stable	Affirmed 1 Oct 2021
Short-Term IDR	F1		Affirmed 1 Oct 2021

Click here for full list of ratings.

The ratings reflect Engie S.A.'s robust business profile, with a large scale and diversification, and a significant share of regulated, quasi-regulated or contracted EBITDA supporting cash flow predictability. The ratings also incorporate the low carbon footprint of Engie's power generation, planned decommissioning of the group's nuclear fleet in Belgium by 2025 and related decommissioning costs.

The ratings also consider Engie's strategic plan to refocus on core markets and activities, streamline the organisation and accelerate growth in more resilient renewables and infrastructure assets, while maintaining a conservative financial policy with economic net debt/EBITDA of up to 4.0x.

The Stable Outlook reflects our expectations that credit metrics will remain within our rating sensitivities in 2021-2023, although with modest rating headroom.

Key Rating Drivers

Strategic Update Credit Supportive: Engie's plan to accelerate growth in renewables and infrastructure assets and simplify the group's operations supports the 'A-' Long-Term Issuer Default Rating (IDR) and Stable Outlook. The strategic update in May 2021 also confirmed its prudent financial policy regarding maximum leverage, funding of increased capex, dividends, and an upsized asset disposal plan.

Renewables Growth: Engie plans to accelerate its growth in renewables and reach 50GW by 2025 and 80GW by 2030, from 31GW currently (at 100% ownership, 22GW consolidated). It will also boost its average annual growth in renewable capacity (currently 3GW) to 4GW in 2022-2025 and 6GW in 2026-2030, through investments in onshore and offshore wind and solar, with largely contracted and predictable earnings.

Investments in Infrastructure Assets: Engie also aims to add 8GW of capacity to reach 32GW of low-carbon distributed-energy infrastructure assets with predictable cash flow by 2025, covering district heating and cooling networks, distributed generation and low-carbon mobility, and related services.

Predictable Cash Flow Component: We expect the two remaining key business units - regulated networks and thermal generation, the latter with largely contracted earnings and focused on gas - to continue to provide predictable cash flow.

Increased Regulatory Risk in Gas Supply: We see an increased regulatory risk in Engie's gas supply business in the current environment of record high gas prices. The French government has recently announced plans to introduce a tariff shield for gas and electricity, which would effectively freeze gas prices for those households that are subject to regulated tariffs until spring 2022. Engie would be able to recover losses on this customer group thereafter, assuming market gas prices decrease, which would be in line with Fitch's gas price deck.

We will update our projections when more details on the tariff shield and its impact on Engie are available. We do not expect this factor to drive a rating change, but lower profitability in gas supply may reduce Engie's rating headroom in the next 12-18 months depending on the development of gas prices.

Simplification of Operations: Engie will simplify its operations by focusing on core activities and reducing its geographic footprint to fewer than 30 countries by 2023 compared with 70 in 2018. The group has streamlined its organisation to four global business units from 25 business units. Engie targets a net EBIT contribution of EUR0.6 billion in 2021-2023, by enhancing efficiencies across businesses and support functions.

Applicable Criteria

Corporate Rating Criteria (December 2020)
Sector Navigators - Addendum to the Corporate Rating Criteria (April 2021)
Corporates Recovery Ratings and Instrument Ratings Criteria (April 2021)
Corporate Hybrids Treatment and Notching Criteria (November 2020)
Country-Specific Treatment of Recovery Ratings Criteria (January 2021)
Parent and Subsidiary Linkage Rating Criteria (August 2020)

Related Research

Rising CO2 Prices Increase Divergence Between Clean and Thermal Generation (July 2021)
Green Hydrogen and Renewables Offer Mutual Support (June 2021)
Fitch Assigns ESG.VS to 100 Utilities (April 2021)
What Investors Want to Know: European Utilities (April 2021)

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Solid Business Mix: We expect Engie's capex plan, assets disposals and the decreasing electricity production from nuclear power plants to moderately increase the share of regulated, quasi-regulated or contracted EBITDA to slightly above 80% in 2023 from around 75% in 2021, supporting Engie's business profile.

Engie has allocated EUR15 billion-16 billion of cumulative growth capex for 2021-2023, with renewables accounting for 40%-45%, networks 30%-35% and energy solutions 15%-20%.

Assets Disposal Plan: The group plans EUR9 billion-10 billion of disposals in 2021-2023 through strategic reviews of non-core activities, country exits, a net-zero carbon commitment and reducing its exposure to French gas networks.

Engie has also separated the asset-light part of the client solutions business, which underperformed in 2020 and is no longer viewed as strategic. These operations, entirely merchant, relate to multi-technical services and are managed independently from Engie from July 2021 under the newly-created EQUANS and should be disposed of by 2022.

Conservative Financial Policy: Engie expects to fund its capex plan and dividends with operating cash flow and asset disposals to ensure its economic net debt remains stable. It continues to target economic net debt-to-EBITDA of up to 4x over the long term and a strong investment-grade rating.

Nuclear-Adjusted Leverage: Following the announcement in March 2021 that Engie was unlikely to extend the operating life of its two second-generation nuclear reactors in Belgium to 2045 from 2025, Fitch had adjusted its leverage ratio to consider the unfunded portion of Belgian nuclear dismantling provisions. This was due to the shorter time to decommissioning of the nuclear power plants than previously assumed and contributed to the downgrade of the Long-Term IDR to 'A-' from 'A'.

Nuclear-adjusted funds from operations (FFO) net leverage was 3.8x at end-2020, compared with 3.1x before adjustment. We project this ratio will remain on average around this level in 2021-2023, providing some rating headroom below the negative sensitivity of 4.2x.

Strong Performance in 1H21: Engie posted solid results in 1H21, with reported EBITDA showing an organic growth of 23%. This was mainly driven by a recovery in client solutions and supply - which were heavily affected by the pandemic in 1H20 - and stronger results in networks and in the nuclear segment.

Engie upgraded its EBITDA guidance for 2021 by EUR0.3 billion to EUR10.2 billion-10.6 billion on the back of strong 1H21 results. Reported net debt/EBITDA remained stable at 2.4x as of end-1H21 from end-2020, while economic net debt to EBITDA improved to 3.7x from 4x.

Financial Summary

Engie S.A.

(EURm)	Dec 19	Dec 20	Dec 21F	Dec 22F	Dec 23F
Gross revenue	60,058	55,751	60,489	53,677	51,697
Operating EBITDAR margin (%)	16.1	15.2	15.7	17.2	17.6
FFO margin (%)	12.2	11.3	11.4	12.4	12.2
FFO net leverage (x)	3.1	3.1	3.1	2.8	3.5
Nuclear-adjusted FFO net leverage (x)	n.a.	3.8.	3.7	3.4	4.0
FFO interest coverage (x)	8.6	8.3	8.5	7.7	6.9

F – Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Engie's business mix (about 75%-80% regulated, quasi-regulated or contracted EBITDA) compares well with that of Enel S.p.A. (A-/Stable) and Iberdrola, S.A. (BBB+/Stable), which are the closest peers, in our view. Enel and Iberdrola benefit from a higher share of regulated networks in EBITDA and larger operations in renewables. This results in their better cash flow predictability, with better performance than Engie in 2020. Engie's growth in renewables and infrastructure assets will make its business mix closer to those of Enel and Iberdrola, which are leading the energy transition. The three peers have similar debt capacity at their respective ratings.

Engie and Enel have the same rating as Electricite de France (EDF, A-/Negative), but higher debt capacity on a standalone basis. EDF's Standalone Credit Profile (SCP) is 'bbb+' as the rating includes a one-notch uplift to reflect tighter links with the government. EDF's leverage threshold between an SCP of 'bbb+' and 'a-' is 3.0x vs. 4.2x for Engie and Enel. This mainly reflects EDF's weaker business profile, due to a lower share of regulated and contracted EBITDA and higher operational risk entailed in the company's investment plan and also large negative free cash flow (FCF) expected across the business plan.

We rate Engie on a standalone basis because the French state, with 23.64% of the share capital and 33.44% of the voting rights, does not have majority economic or voting control over Engie.

Fitch aligns the ratings of Engie's two subsidiaries, Engie Invest International S.A. (A-/Stable) and Engie Alliance GIE (senior unsecured rating of A-), with the ratings of Engie based on the parent's guarantees of their debt. Electrabel S.A. is rated at the same level as the parent, reflecting strong operational and strategic ties, including Electrabel's about 40% contribution to group EBITDA (based on 2020 results), and despite the absence of guarantees and a less predictable business mix.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	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
Electricite de France (EDF)	A-/Neg	aa	a-	bbb	bbb	bbb	a-	bb+	bbb+	bbb+
Enel S.p.A.	A-/Sta	bbb+	a-	a	bbb+	bbb	a	bbb+	bbb+	a-
Energie Baden-Wuerttemberg AG (EnBW)	BBB+/Sta	aa-	a	bbb+	bbb+	bbb+	a-	bbb+	bbb+	bbb+
Engie S.A.	A-/Sta	aa	a-	a-	a-	bbb+	a-	bbb+	a-	a
Iberdrola, S.A.	BBB+/Sta	a	a-	a	bbb	bbb	a	bbb	bbb	a-

Source: Fitch Ratings.

Importance: Higher | Moderate | Lower

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Reduction of nuclear-adjusted FFO net leverage to below 3.2x on a sustained basis.
- FCF on sustained EBITDA growth.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Nuclear-adjusted FFO net leverage above 4.2x on a sustained basis.
- Substantial reduction in the share of regulated, quasi-regulated and contracted EBITDA.
- Adverse regulatory or fiscal changes affecting the predictability of cash flow.
- For Electrabel and other subsidiaries, materially weaker ties with Engie.

Liquidity and Debt Structure

Sound Liquidity: Fitch-calculated readily available cash and cash equivalents amounted to EUR12.8 billion as of 30 June 2021. Unused committed liquidity facilities at the same date were an additional EUR13.1 billion. Fitch believes that liquidity is sufficient to meet Engie's operating needs and debt maturities at least until end-2022.

Engie has solid access to the debt-capital market as a frequent bond issuer and a large issuer of green bonds.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Liquidity and Debt Maturity Scenario with No Refinancing

Engie S.A. – Liquidity Analysis

(EURm)	2021F	2022F
Available liquidity		
Beginning cash balance	13,520[a]	4,888
Rating-case FCF after acquisitions and divestitures	-689	1,926
Total available liquidity (A)	**12,831**	**6,814**
Liquidity uses		
Debt maturities	-6,791	-3,198
Additional funding for nuclear provisions (excluding portion deducted from FFO)	-1,153	-1,118
Total liquidity uses (B)	**-7,944**	**-4,316**
Liquidity calculation		
Ending cash balance (A+B)	4,888	2,497
Revolver availability	12,693	6,230
Ending liquidity	**17,581**	**8,727**
Liquidity score (x)	3.8	4.1
Liquidity score adjusted (with additional funding for nuclear provisions reflected in FCF) (x)	3.6	3.7

F – Forecast
[a] Excluding cash equivalents set aside to cover the repayment of borrowings and debt as part of project financing arrangements in certain subsidiaries.
Source: Fitch Ratings, Fitch Solutions, Engie S.A.

Scheduled debt maturities[a] (EURm)	Original 31 December 2020
2021	6,791
2022	3,198
2023	2,932
2024	1,461
2025	2,393
Thereafter	21,906
Total	**38,681**

[a] Excluding lease liabilities.
Source: Fitch Ratings, Fitch Solutions, Engie S.A.

Key Assumptions

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

- Recovery of EBITDA in 2021 (projected reported EBITDA at EUR10.3 billion in 2021, up from EUR9.3 billion in 2020), close to the lower range of the 2021 company guidance of EUR10.2 billion-10.6 billion, on expectations of substantially lower pandemic impact than in 2020.
- EBITDA in networks in France based on new reduced allowed returns for 2020-2024, in line with the regulator's decision reflecting lower interest and tax rates. The impact of warm weather on lower network volumes in France in 2020 will be compensated in 2021-2022, due to the claw-back accounts mechanism.
- Growing EBITDA in renewables and client solutions (excluding EQUANS) in 2021-2023, fuelled by large capex.
- Lower EBITDA in the thermal segment from 2021, mainly due to asset disposals.
- Strong improvement in EBITDA in the nuclear segment in 2021, due to better prices and plant availability; EBITDA in 2022-2023 negatively affected by gradual decommissioning of the nuclear fleet in Belgium by 2025.
- Growth capex of EUR15 billion-16 billion for 2021-2023, with renewables accounting for 40%-45%, networks 30%-35% and energy solutions 15%-20%.
- Maintenance capex of EUR7 billion-8 billion for 2021-2023, half of which will be allocated to regulated networks.
- Dividends in 2021-2023 in line with Engie's dividend policy (65%-75% pay-out ratio of net recurring result group share, with a floor of EUR0.65 per share).
- Funding of nuclear provisions of about EUR4 billion in 2021-2023.
- Asset disposals of EUR9 billion-10 billion in 2021-2023.

Financial Data

Engie S.A.

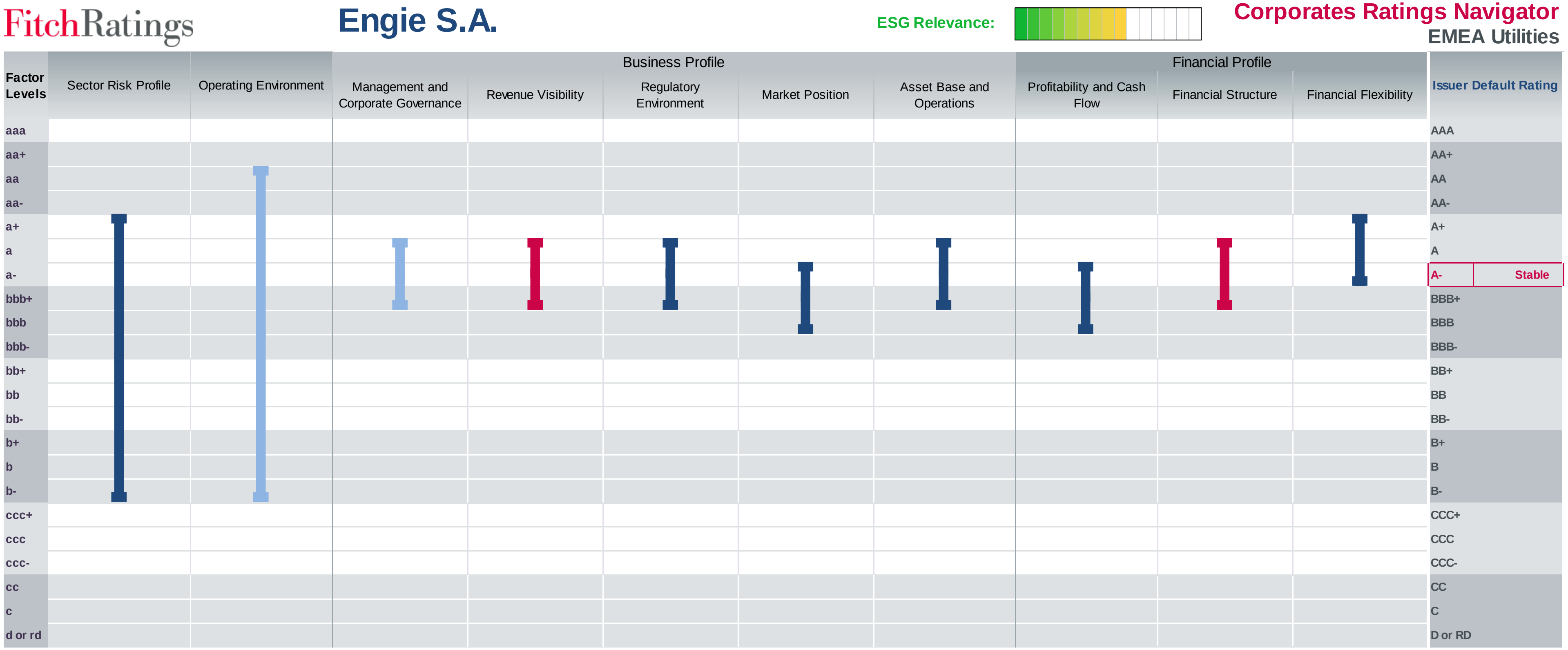
(EURm)	Dec 18	Dec 19	Dec 20	Dec 21F	Dec 22F	Dec 23F
	Historical			Forecast		
Summary income statement						
Gross revenue	56,967	60,058	55,751	60,489	53,677	51,697
Revenue growth (%)	-4.4	5.4	-7.2	8.5	-11.3	-3.7
Operating EBITDA (before income from associates)	8,647	9,206	8,003	8,979	8,689	8,563
Operating EBITDA margin (%)	15.2	15.3	14.4	14.8	16.2	16.6
Operating EBITDAR	9,123	9,672	8,486	9,503	9,237	9,086
Operating EBITDAR margin (%)	16.0	16.1	15.2	15.7	17.2	17.6
Operating EBIT	4,765	5,177	3,842	4,811	4,282	3,775
Operating EBIT margin (%)	8.4	8.6	6.9	8.0	8.0	7.3
Gross interest expense	-713	-790	-819	-919	-987	-1,057
Pretax income (including associate income/loss)	1,264	2,288	-178	2,529	2,451	2,586
Summary balance sheet						
Readily available cash and equivalents	9,871	11,014	13,568	9,673	12,770	8,922
Total debt with equity credit	32,959	36,567	35,754	33,549	34,224	34,841
Total adjusted debt with equity credit	36,767	40,298	39,615	37,739	38,606	39,026
Net debt	23,088	25,553	22,186	23,877	21,454	25,919
Summary cash flow statement						
Operating EBITDA	8,647	9,206	8,003	8,979	8,689	8,563
Cash interest paid	-984	-946	-849	-919	-987	-1,057
Cash tax	-757	-575	-599	-632	-613	-647
Dividends received less dividends paid to minorities (inflow/(out)flow)	-172	302	362	135	253	281
Other items before FFO	-856	-765	-683	-704	-756	-890
Funds flow from operations	5,957	7,304	6,287	6,909	6,637	6,301
FFO margin (%)	10.5	12.2	11.3	11.4	12.4	12.2
Change in working capital	149	-1,110	-600	-855	-755	-249
Cash flow from operations (Fitch defined)	6,106	6,194	5,687	6,054	5,882	6,052
Total non-operating/nonrecurring cash flow	17	0	0			
Capex	-6,068	-6,418	-5,012			
Capital intensity (capex/revenue) (%)	10.7	10.7	9.0			
Common dividends	-1,740	-1,834	0			
Free cash flow	-1,685	-2,058	675			
Net acquisitions and divestitures	1,660	214	2,967			
Other investing and financing cash flow items	-772	6	-2,411	-1,011	497	1,054
Net debt proceeds	385	3,728	1,052	-2,196	674	618
Net equity proceeds	174	-35	181	0	0	0
Total change in cash	-238	1,855	2,464	-3,895	3,097	-3,847
Leverage ratios						
Total net debt with equity credit/operating EBITDA (x)	2.7	2.7	2.7	2.6	2.4	2.9
Total adjusted debt/operating EBITDAR (x)	4.1	4.0	4.5	3.9	4.1	4.2
Total adjusted net debt/operating EBITDAR (x)	3.0	2.9	2.9	2.9	2.7	3.2
Total debt with equity credit/operating EBITDA (x)	3.9	3.8	4.3	3.7	3.8	3.9
FFO adjusted leverage (x)	5.0	4.7	5.2	4.5	4.8	5.0
FFO adjusted net leverage (x)	3.7	3.4	3.4	3.4	3.2	3.8
FFO leverage (x)	4.8	4.5	5.0	4.3	4.5	4.8
FFO net leverage (x)	3.4	3.1	3.1	3.1	2.8	3.5
Nuclear-adjusted FFO net leverage (x)	n.a.	n.a.	3.8	3.7	3.4	4.0
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-6,131	-8,038	-2,045	-6,743	-3,956	-11,571
Free cash flow after acquisitions and divestitures	-25	-1,844	3,642	-689	1,926	-5,519
Free cash flow margin (after net acquisitions) (%)	0.0	-3.1	6.5	-1.1	3.6	-10.7
Coverage ratios						
FFO interest coverage (x)	7.0	8.6	8.3	8.5	7.7	6.9
FFO fixed charge coverage (x)	5.0	6.1	5.7	5.8	5.3	5.0
Operating EBITDAR/interest paid + rents (x)	6.1	7.1	6.6	6.7	6.2	5.9
Operating EBITDA/interest paid (x)	8.6	10.1	9.9	9.9	9.1	8.4
Additional metrics						
CFO-capex/total debt with equity credit (%)	0.1	-0.6	1.9	-3.4	-4.5	-10.3
CFO-capex/total net debt with equity credit (%)	0.2	-0.9	3.0	-4.7	-7.2	-13.8

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



Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

FitchRatings

Engie S.A.

Corporates Ratings Navigator
EMEA Utilities

Operating Environment

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

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			

Revenue Visibility

a+	Size 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			

Regulatory Environment

a+	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-			
bbb+			
bbb			

Market Position

a	Fundamental Market Trends	bb	Markets with 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.
bbb+	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

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 (< $300gCO_2/kWh$).
bbb+			
bbb			

Profitability and Cash Flow

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

a+	FFO Leverage	bbb	5.0x
a	FFO Net Leverage	a	3.0x
a-			
bbb+			
bbb			

Financial Flexibility

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 even under a severe stress scenario. Well-spread debt maturity. Diversified sources of funding.
a	FFO Interest Coverage	a	5.5x
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
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow
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
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow

E Scale: 5, 4, 3, 2, 1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility
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

S Scale: 5, 4, 3, 2, 1

Governance (G)

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

G Scale: 5, 4, 3, 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 right-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 some of the main 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.

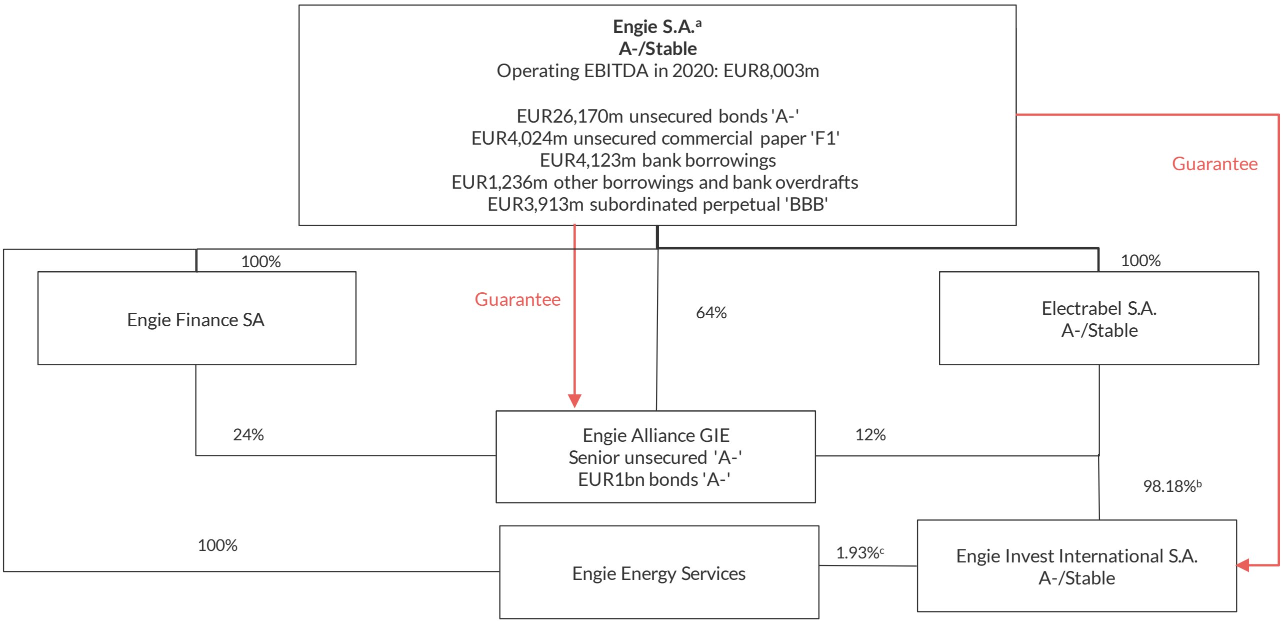
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

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



[a] Operating EBITDA and debt details for Engie S.A. are based on consolidated financials.
[b] Directly and through 100%-owned affiliates.
[c] Through several Belgian entities of Engie Energy Services.
Source: Fitch Ratings, Fitch Solutions, Engie S.A. as of end-December 2020.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBITDAR margin (%)	FFO margin (%)	FFO net leverage (x)	FFO interest coverage (x)
Engie S.A.	A-						
	A	2020	55,751	15.2	11.3	3.1 (3.8x[a])	8.3
	A	2019	60,058	16.1	12.2	3.1 (n.a.[a])	8.6
	A	2018	56,967	16.0	10.5	3.4 (n.a.[a])	7.0
Enel S.p.A.	A-						
	A-	2020	62,623	28.6	20.4	3.4	6.4
	A-	2019	77,694	23.0	13.1	3.8	4.9
	BBB+	2018	75,672	21.6	13.3	3.9	4.9
Electricite de France (EDF)	A-						
	A-	2020	69,031	23.9	16.9	3.5	6.9
	A-	2019	71,317	20.7	14.9	3.5	6.2
	A-	2018	68,976	21.4	14.9	3.2	5.8
Iberdrola, S.A.	BBB+						
	BBB+	2020	33,145	30.2	22.0	4.4	8.8
	BBB+	2019	36,438	27.7	20.0	4.4	7.9
	BBB+	2018	35,076	27.1	20.8	4.3	7.4
Energie Baden-Wuerttemberg AG (EnBW)	BBB+						
	A-	2019	18,765	12.3	7.0	4.0	6.8
	A-	2018	20,618	10.4	6.5	2.5	6.0
	A-	2017	21,974	9.0	7.3	1.9	3.7

[a] Nuclear-adjusted FFO net leverage
Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for Engie S.A.

(EURm)	Notes and formulas	Reported values	Sum of adjustments	Hybrid adjustment	Lease treatment	Other adjustments	Adjusted values
31 December 2020							
Income Statement Summary							
Revenue		55,751					55,751
Operating EBITDAR		9,276	-790		-51	-739	8,486
Operating EBITDAR After Associates and Minorities	(a)	9,638	-790		-51	-739	8,848
Operating Lease Expense	(b)	0	483		483	0	483
Operating EBITDA	(c)	9,276	-1,273		-534	-739	8,003
Operating EBITDA After Associates and Minorities	(d) = (a-b)	9,638	-1,273		-534	-739	8,365
Operating EBIT	(e)	4,628	-786		-47	-739	3,842
Debt and Cash Summary							
Total Debt with Equity Credit	(f)	37,939	-2,185	1,875	-2,386	-1,674	35,754
Lease-Equivalent Debt	(g)	0	3,861		3,861	0	3,861
Other Off-Balance-Sheet Debt	(h)	0					0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	37,939	1,676	1,875	1,475	-1,674	39,615
Readily Available Cash and Equivalents	(j)	13,588	-20				13,568
Not Readily Available Cash and Equivalents		0	20				20
Cash Flow Summary							
Operating EBITDA After Associates and Minorities	(d) = (a-b)	9,638	-1,273		-534	-739	8,365
Preferred Dividends (Paid)	(k)	0					0
Interest Received	(l)	53					53
Interest (Paid)	(m)	-665	-184		47	-231	-849
Cash Tax (Paid)		-599					-599
Other Items Before FFO		-1,228	545			545	-683
Funds from Operations (FFO)	(n)	7,199	-912		-487	-425	6,287
Change in Working Capital (Fitch-Defined)		-600					-600
Cash Flow from Operations (CFO)	(o)	6,599	-912		-487	-425	5,687
Non-Operating/Nonrecurring Cash Flow		0					0
Capital (Expenditures)	(p)	-5,115	103			103	-5,012
Common Dividends (Paid)		-187	187			187	0
Free Cash Flow (FCF)		1,297	-622		-487	-135	675
Gross Leverage (x)							
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	3.9					4.5
FFO Adjusted Leverage	(i/(n-m-l-k+b))	4.9					5.2
FFO Leverage	(i-g)/(n-m-l-k)	4.9					5.0
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	3.9					4.3
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	3.9%					1.9%
Net Leverage (x)							
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	2.5					2.9
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	3.1					3.4
FFO Net Leverage	(i-g-j)/(n-m-l-k)	3.1					3.1
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	2.5					2.7
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	6.1%					3.0%
Coverage (x)							
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	14.5					6.6
Operating EBITDA/Interest Paid[a]	d/(-m)	14.5					9.9
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	11.7					5.7
FFO Interest Coverage	(n-l-m-k)/(-m-k)	11.7					8.3

[a] EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, Engie S.A.

Fitch Financial Adjustments — Nuclear-Adjusted Leverage

(EURm)	31 December 2020
Total Debt with Equity Credit	35,754
+ Off Balance Sheet Debt	0
- Readily Available Cash and Equivalents	-13,568
= Net Debt	22,186
+ Nuclear Provisions for Dismantling	6,208
- Dedicated Financial Assets	-1,344
= Net Debt and Unfunded Nuclear Provisions for Dismantling (A)	**27,050**
Funds from Operations (FFO)	6,287
+ Net interest paid	796
+ Cash Flow Impact of Nuclear Provisions for Dismantling	4
FFO Before Net Interest Paid and Cash Flow Impact of Nuclear Provision for Dismantling	**7,087**
Nuclear-adjusted FFO Net Leverage (A/B) (x)	**3.8**

Source: Fitch Ratings, Fitch Solutions, Engie S.A.

Summary of Financial Adjustments:

- Nuclear-adjusted FFO net leverage is calculated in the following way: Fitch-calculated net debt is increased by nuclear provisions related to dismantling, net of associated, unencumbered assets. The cash flow component in the ratio is increased by the cash flow impact of nuclear provisions for dismantling included in FFO for that year.
- As a result, the formula for nuclear-adjusted FFO net leverage is Fitch-calculated net debt excluding lease liabilities + nuclear provisions for dismantling net of associated, unencumbered assets) / (FFO + net cash interest paid + the cash flow impact of nuclear provisions for dismantling included in FFO).
- Out of cash outflows for nuclear provisions funding, we deduct from FFO the recurring annual part related to actual electricity generation by nuclear plants, the remaining part is shown in ‘other investing and financing cash flow items’.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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