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Engie S.A.

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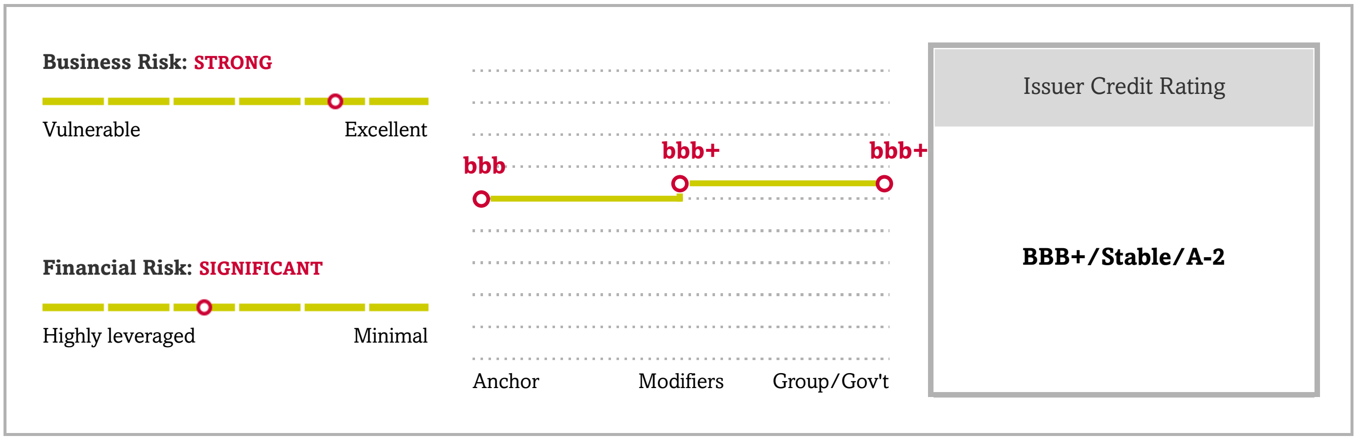


Credit Highlights

Overview

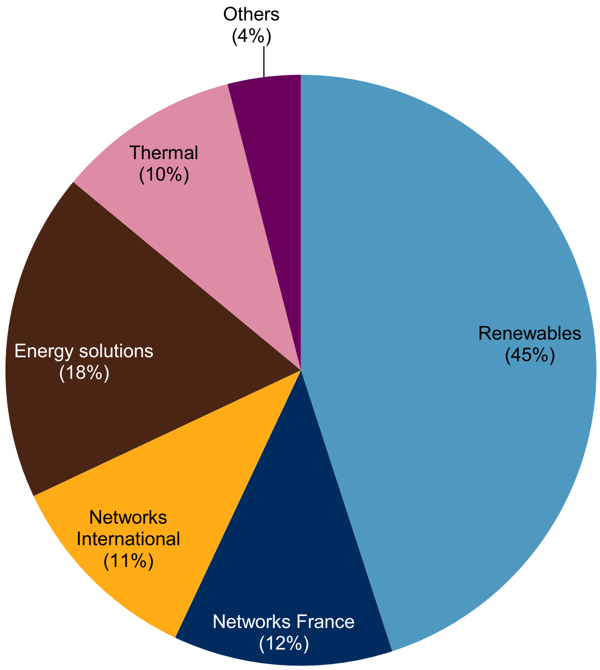
Key strengths	Key risks
Large global integrated utility, with significant business and geographic diversity and reported EBITDA of €10.6 billion in 2021.	High exposure to gas (generation, networks, midstream and supply, together more than 40% of EBITDA) with an evolving role in the energy transition.
About 40% of 2021 EBITDA was from regulated transmission and distribution activities, mainly gas networks in France with a supportive regulatory framework, ensuring cash flow stability.	Exposure to energy and gas trading risks in a highly volatile commodities price environment, although ENGIE was able to significantly reduce short-term price exposure to Russian gas through specific hedging actions.
A sizable share of operations (more than 50% of 2021 EBITDA) is regulated and contracted, and ENGIE has ambitions to reach 50 gigawatt (GW) of renewable capacity by 2025 (up from about 36GW in June 2022), targeting an additional 4GW of renewables per year.	Evolving role of nuclear in Belgium with letter of intent signed with Belgian government to potentially extend life of two nuclear units by 10 years. Still-material net liabilities remain (about €10.3 billion in nuclear asset retirement obligations at year-end 2021).
Timely execution of disposal program (€8 billion already contracted for 2022), notably with the carve-out of its more cyclical asset-light client solutions activities (Equans), whose sale will be completed by year end.	Exposure to fast-growing, but historically volatile, emerging markets, with a substantial presence in Latin America (18% of 2021 EBITDA).
Rating headroom at the current rating level, with adjusted funds from operations (FFO) to debt easily exceeding in 2022 the 18% threshold for the rating.	Relatively high debt.
Supportive financial policy targeting economic net debt/EBITDA below 4.0x (equivalent to adjusted FFO to debt well above 18%) and proven flexibility and track record in terms of dividend policy, as well as investment and disposal plan, along with strong liquidity as of June 30, 2022.	

Credit metrics should remain strong until 2024, with EBITDA growth fuelled by high commodity prices and growth in networks and renewables, even if we lack visibility on likely adverse regulatory measures and potential shut-down of Russian gas. EBITDA growth over 2022-2024, guided at 1.5%-3.5% per year, should be fueled primarily by the group's performance and efficiency plan (about €500 million of savings remaining), high commodity prices, and investment in renewables and networks. Together, this will mitigate the loss of earnings from disposed businesses and the progressive nuclear phase-out in Belgium. As of June 30, 2022, ENGIE is hedged 92% for 2022 at €74 per megawatt-hour (/MWh) for its outright merchant generation, compared with an average realized price of €59/MWh in 2021. For 2023, the group is hedged 69% at €70/MWh, leaving significant merchant exposure to capture higher wholesale power prices observed since the beginning of the year. At the same time, we anticipate ENGIE will generate negative cash flows after capex and dividends (on average €3 billion per year over 2022-2025 before disposals) due to the narrower business scope, gradual increase in investments, including dividend distributions and, conservatively, the nuclear funding mentioned above. Compensating for this, disposal proceeds have exceeded our expectations and we now forecast reported net financial debt will only exceed 2021 levels in 2024 (about €28 billion). Considering the increase in nuclear provisions, we project ENGIE will post adjusted FFO to debt of about 21%-22% in 2022, with similar levels in 2023-2024. The higher proceeds from disposals have not triggered an acceleration of investments (over 2022-2024 compared to 2021-2023) resulting in increased balance sheet headroom. However, we believe that this extra headroom might be at risk from adverse regulatory measures in France, notably windfall profits taxes arising from high commodity prices, as well as general uncertainties amid the current market conditions with a potential full shutdown of Russian gas imports.

ENGIE's transition and business simplification is on track with the successful execution of its disposal program. The improvement in credit metrics was accompanied by the strong execution of its sizable disposal plan, with an at least €8 billion positive impact on net debt expected this year. This includes the sale of Equans, which will likely close in second-half 2022, for a net debt reduction of €6.6 billion. The group is pursuing its transformation with a strategic refocus on infrastructure, allocating growth capex of €16 billion-€18 billion on renewables (€7.3 billion, the bulk of the investment program), networks, and asset-backed energy solutions over 2022-2024. ENGIE targets 50 gigawatts (GW) of renewables capacity in 2025 (at 100%) and 80GW in 2030, from 36GW currently, and has a global pipeline of 34GW over 2023-2025. As a result, we expect the renewables business will account for 23% of total EBITDA in 2024 from 16% in 2021.

Chart 1

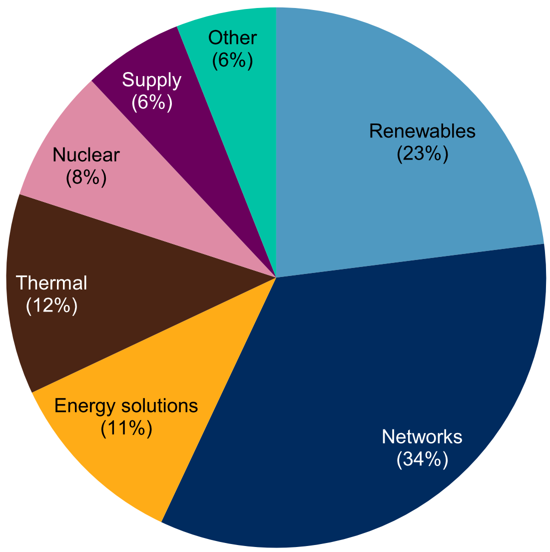
ENGIE Will Allocate About 70% Of The €16 Billion Growth Capex Over 2022-2024 To Renewables And Regulated Networks



*Net of design, build, sell, operate. Capex--Capital expenditure. Source: S&P Global Ratings.

Chart 2

About 60% Of ENGIE's 2024 EBITDA Will Come From Regulated Networks And Renewables



Source: S&P Global Ratings.

ENGIE reported strong results in the first six months of 2022 and continues to reduce its exposure to Russian gas. Reported EBITDA increased by about 44% year on year (yoy) to €7.5 billion, driven by nuclear generation, whose EBITDA more than doubled yoy to €1.09 billion thanks to high power prices, and the renewables business, which added 2.2GW capacity, offsetting the poor hydrology in France. The retail business benefitted from positive temperature effect and timing effect on power margins in France, with EBITDA up by 67% YoY to €555 million, with the gas price freeze in place until the end of the year fully offset by government support. Thermal generation was also significantly up, with EBITDA increasing 11.9% yoy to €891 million, thanks to higher spreads for gas plants in Europe. Networks EBITDA was slightly down due to lower remuneration, reflecting regulatory reviews.

Economic net debt remains under control at €38.5 billion, up by €0.2 billion compared to December 2021, with economic net debt to EBITDA significantly down at 3.0x versus 3.6x at year-end 2021, thanks to strong earnings growth. The lower leverage was supported by a working capital inflow of €0.6 billion, thanks to positive margin call effects, which more than offset a €1.6 billion cash absorption due to 10TWh of gas purchases at spot prices to enhance security of supply.

In addition, ENGIE managed to significantly reduce both financial and physical exposure to Russian gas. Short-term price exposure is now down to 4TWh from 15TWh before, due to specific hedging actions and new contracts. Yearly contractual exposure has been reduced to 4% of the company's European gas demand, with higher LNG imports and lower demand that will help further reduce exposure in the 2023-2024 winter season.

ENGIE's exposure to Russian long-term contracted gas is relatively high, but set to structurally decline in coming years. ENGIE has no direct operational exposure to Russia (apart from the 9% stake in Nord Stream 1 now valued at €305 million), with no industrial activity or investments in the country. However, it has relatively large exposures to long-term contracts with Gazprom. In 2021, these take-or-pay contracts represented 20% of the group's overall gas sales and consumption, totaling about 120 terawatt hours (TWh)-130TWh, equivalent to about 12 billion cubic meters (bcm) of gas. The maturity profile of these contracts indicates a progressive and constant reduction over the decade. We understand that ENGIE has already taken some actions to reduce its hedging exposure to Russian gas, and offset the sharp reduction in imports since June 2022, by notably securing extra Norwegian medium-term capacity and contracting longer-term liquefied natural gas (LNG) deliveries from different sources. In addition, the group has some flexibility to attract more LNG capacity in the medium term. Although ENGIE is more exposed to gas procured from Russia than most of its European integrated utility peers, due to its significant gas retail business, its exposure is lower than gas players such as Uniper SE (well over 50% exposure based on 2021 volumes) and we believe that the group has flexibility to diversify thanks to its LNG import capacities, as already shown in the first six months of 2022.

In the scenario of a complete halt to Russian gas flows, we believe that European governments will step in to prevent systemic risk. In a gas curtailment scenario, which we still view as possible though not part of our base case, we anticipate a wide effect on the utilities sector as a whole and on ENGIE as the largest French gas retailer. This includes a possible spike in margin calls, heightened trading risks, and the use of force-majeure clauses; state measures to tax windfall profits to contain unsustainable energy bills; and most likely adverse macroeconomic impacts. We have received some guidance regarding French state intervention in case of an energy shortage. An April decree named Délestage details a legally binding protocol to manage potential gas scarcity, with industrial customers interrupted in a predefined manner. Therefore, we understand that state intervention will supersede ENGIE's contractual engagements for all physical gas deliveries. Even though this could significantly hit ENGIE, especially its trading activity, we expect downside to remain manageable, although it is difficult to predict.

Medium-term uncertainties on the role of gas in France continue, although the current energy crisis could accelerate the transition to green gases. French energy policy does not include a central role for gas, but the current focus on security of supply and nuclear challenges emphasize the key role of gas infrastructure for the energy transition and the need to transition to renewable gases to meet decarbonization targets. This could support the long-term repositioning of ENGIE's French gas networks, and notably its distribution grids to support the integration of biomethane. We believe there is increasing momentum to produce biomethane and connect it to the grid, as evidenced by the validation of domestic investments by French regulator the Energy Regulatory Commission, based on 100TWh of available potential. With the REpowerEU plan, the European Commission is also doubling targets for biomethane production to 35 bcm by 2030 as a key proposal to reduce reliance on Russian gas sooner.

The group's Belgian nuclear operations remain a balance sheet constraint, but a possible extension under favorable conditions beyond 2025 could provide an upside to our current base case. ENGIE is preparing to progressively phase-out its nuclear operations according to the legal schedule, starting end- September 2022 with the Doel 3 reactor closure, followed by the Tihange 2 closure (both 0.9 GW capacity) in February 2023. Further closures will then happen by 2025 unless a final agreement is reached to extend the last two reactors to 2035 (see below). The group will contribute €6.5 billion of funding over 2022-2024 ahead of the nuclear plant closures, including the impact of the upcoming law amendment to increase dismantling provisions funding. As such, we are expecting the scheduled phase-out and decommissioning to reduce the EBITDA contribution and squeeze cash flows from 2023.

We expect nuclear provisions to be revised upward at year-end 2022 by the regulatory triennial revision, affecting the decommissioning and dismantling and fuel and waste management provisions. We expect the decision in mid-December 2022, and we factor into our 2022 adjusted net debt an increase of provisions, which could be higher than €1.5 billion depending on final decisions on costing and discount rate assumptions. Prompted by the current geopolitical context and increased tensions related to power supply in the country, the Belgian government has publicly indicated that a life extension until 2035 is desirable for the two newest reactors, with a non-binding letter of intent signed by Electrabel (ENGIE's Belgian subsidiary). This could lead to a decision by the end of the year on the extension of the two most recent nuclear units (Doel 4 and Tihange 3) for 10 additional years from 2025. We understand this would mean a revision to the maintenance work at the two plants, prompting lower availability and lower production levels as early as 2023. In addition, the life extension would prompt a revision to the nuclear provisions. This could be credit positive and earnings accretive for the group in the medium term provided operational and financial risks are shared with the Belgian State. At this stage, we do not factor into our base case the EBITDA loss or a change in nuclear provisions profile, since there are a lot of uncertainties regarding the conditions of this extension and the risk-sharing mechanism between the state and ENGIE. That said, we view positively that the letter of intent indicates a cap on future liabilities and costs for the management of nuclear waste and spent fuel.

Outlook: Stable

The stable outlook reflects our expectation that ENGIE will manage the effects of extreme market volatility linked to the Russia-Ukraine conflict thanks to its strong liquidity position, but also benefit from structurally higher power prices.

Execution risk has significantly reduced through the completion of a large part of its disposal program, which should result in some debt reduction this year and ensure the adjusted FFO-to-net debt ratio remains comfortably above 18%.

Downside scenario

We could lower the rating if FFO to debt sustainably falls below 18% or if the group's market or business strengths reduce.

Downside could also arise from a full stop of Russian gas pipe deliveries, aggravating already acute price volatility and potentially prompting hard-to-predict adverse financial effects for the group. We currently see ENGIE as prepared for such a scenario but equally assume some regulatory or governmental intervention. For instance, an uncontained surge in margin-call requirements, the lack of timely mitigating measures by the states and/or the EU to manage gas scarcity, and extra costs related to securing LNG imports, could materially hamper the group's earnings.

In addition, high energy prices expose the group to adverse regulatory measures, such as an extension to the French gas regulated-tariff freeze, limiting its ability to capture extra profits and most likely leading to additional negative working capital movements.

Other downside risks could stem from increased risk exposure in its Belgian nuclear operations and related failure to transition its earnings profile away from nuclear generation by 2025 and offset the loss of Equans.

In the longer term, increased uncertainty on the role of gas infrastructure in France through an unsupportive public policy and regulatory framework could also pressure the rating.

Upside scenario

We see rating upside as less likely given the increased market risks but also the need to gain more visibility on ENGIE's future business mix and profitability in 2025, and the continued role of gas in France.

Reduced responsibility for nuclear liabilities and a clear strategy for its Belgian nuclear activities, including benefits and risk sharing for any life extensions on two of the seven reactors, could also benefit the group's credit quality.

These scenarios would need to combine with stronger credit metrics, specifically FFO to net debt staying comfortably above 21%.

Our Base-Case Scenario

Assumptions

- The group will suffer earnings dilution from the carve-out of Equans in 2022 (deconsolidation of about €800 million of EBITDA), which should be offset by strong results from outright production, benefiting from higher power prices and an increasing renewables contribution, as shown in first-half 2022 results.
- For nuclear, we currently do not include a potential extension of the Doel 4 and Tihange 3 reactors (total capacity of 1.8GW) up to 2035, but still consider the legal closure schedule, with 3.2GW of capacity remaining operational until year-end 2024. We expect a sustained contribution from ENGIE's nuclear generation fleet thanks to availability rates above 80% on average over 2022-2024.
- EBITDA growth is led by a step-up in renewables commissioning to 4GW per year until 2025, the performance plan targeting €0.6 billion of additional EBIT by 2023, and higher achieved power prices from the merchant-exposed thermal and nuclear generation fleet.
- Total disposal proceeds of €11 billion-€12 billion over 2022-2024. This includes the sale of the asset-light client solutions division Equans (€6.6 billion cash to be received in second-half 2022), and the sale of nonstrategic assets in noncore geographies including thermal generation capacities. We expect the bulk of these proceeds to be cashed in during 2022 (€8 billion-€9 billion).
- Total annual average investments of €10 billion over 2022-2024 including €5.0 billion-€5.5 billion for growth, €2.5 billion for maintenance, and, conservatively, Synatom funding (including additional dismantling provisions funding).
- Working capital outflows of €500 million in 2022, mainly stemming from higher margin-call requirements spurred by power and gas price volatility and delayed payments from customers, followed by a significant cash inflow in 2023. This comes as the company recovers the initial margin posted for derivatives this year and the effect of the regulated gas price freeze is unlocked.
- A dividend payout of 65%-75% of net profit as defined publicly, with a floor at €0.65 per share translating into cash outflows of €8 billion over 2022-2024 (including dividends to minorities.
- A material increase of nuclear asset-retirement obligations (AROs) as part of the Belgian nuclear provisions triennial revision (on top of the ONDRAF tariffs revision) expected by year-end 2022.
- Flat to slightly increasing pension provisions.

Key metrics

Engie S.A.--Key Metrics*

	--Fiscal year ending Dec. 31--				
(Mil. €)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
EBITDA	8.9	10.2	10.2-10.5	10.2-10.5	10.5-11.0
Funds from operations (FFO)	7.5	8.8	8.5-9.0	8.8-9.3	9.0-9.5
Capital expenditure	5.0	5.9	9.5-10	10.0-10.5	9.8-10.3
Dividends	0.6	1.8	2.5-3.0	2.5-3.0	2.5-3.0

Engie S.A.--Key Metrics* (cont.)

	--Fiscal year ending Dec. 31--				
(Mil. €)	2020a	2021a	2022f	2023f	2024f
Debt	42.8	43.0	38.0-42.0	39.0-43.0	41.0-45.0
Debt-to-EBITDA (x)	4.8	4.2	3.7-4.0	3.8-4.1	3.8-4.1
FFO-to-debt (%)	17.5	20.4	21.5-22.5	21.5-22.5	21.0-22.0

*All figures adjusted by S&P Global Ratings. 2021 year-end debt consists of net financial debt of €24.7 billion with key adjustments being €10.3 billion in asset-retirement obligations, €5.1 billion in pensions, €1.8 billion in hybrids, and €1 billion in derivatives. Note: We conservatively added investments related to Synatom nuclear funding to capital expenditure over 2022-2024. a--Actual. f--Forecast. FFO--Funds from operations.

ENGIE entered the 2022 energy crisis with restored rating headroom. Operating performance sharply rebounded last year versus 2020, which was heavily affected by the COVID-19 pandemic. More favorable power prices and the continued delivery of strategic and financial plans also notably supported this. EBITDA, excluding the contribution from Equans, was €10.6 billion in 2021, up 19% year over year with contributions from all divisions, including particularly strong nuclear performance--EBITDA plus €1 billion year over year, boosted by a higher availability rate of 92% and higher power prices. Net adjusted debt was almost stable at €43 billion, despite the €1.4 billion increase in working capital, mostly related to €2.2 billion of margin call requirements. As a result, ENGIE's FFO to net debt reached 20.4% in 2021, up from 17.5% in 2020, and adjusted debt to EBITDA improved to 4.2x versus 4.8x a year ago.

Credit metrics should remain strong until 2024, with EBITDA growth fuelled by high commodity prices and growth in networks and renewables. EBITDA growth over 2022-2024, guided at 1.5%-3.5% per year, should be fueled primarily by the group's performance and efficiency plan (about €500 million of savings remaining), high commodity prices, and investment in renewables and networks. Together, this will mitigate the loss of earnings from disposed businesses and the progressive nuclear phase-out in Belgium. At the same time, we anticipate ENGIE will generate negative cash flows after capex and dividends (on average €3 billion per year over 2022-2025 before disposals) due to the narrower business scope, gradual increase in investments, including the nuclear funding mentioned above, and dividend distributions. Compensating for this, disposal proceeds have exceeded our expectations and we now forecast reported net financial debt will only exceed 2021 levels in 2024 (about €28 billion). Considering the increase in nuclear provisions, we project ENGIE will post adjusted FFO to debt of about 21%-22% in 2022, with similar levels in 2023-2024. The higher sales cash-in does not come with an acceleration of investments (over 2022-2024 compared to 2021-2023), resulting in increased balance sheet headroom.

Company Description

With the disposal of its upstream activities in oil and gas exploration and production and LNG, ENGIE is now focusing on renewable power generation, gas and power infrastructure, and asset-backed energy services. The group's strategic plan is to increase the share of long-term contracted energy activities, while maintaining a stable share of regulated networks at about 35%. ENGIE notably operates the regulated French gas distribution and transmission networks, as well as downstream storage infrastructures.

At Jan. 1, 2022, the group had a total French regulated asset base of close to €29 billion and about €3.8 billion of international gas and power networks (capital employed). In addition, ENGIE had installed generation capacity of

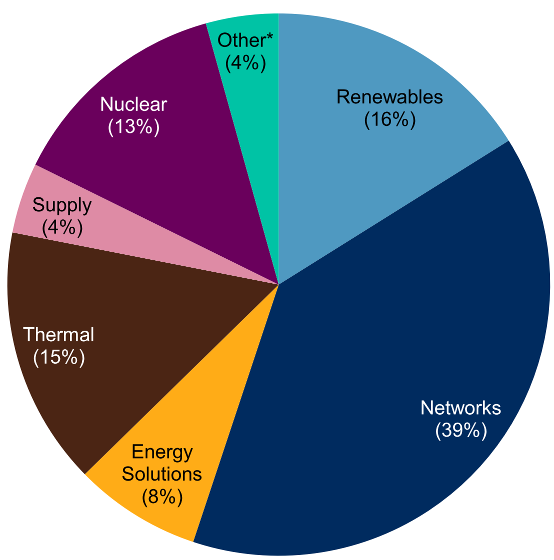
100GW at year-end 2021, or 63GW in percentage of consolidation, of which half is in Europe (50%), 25% in Latin America, 19% in the Middle East, Asia, and Africa, and 6% in North America. The generation portfolio is mostly gas (39% in percentage of consolidation), hydro (26%), wind (13%), nuclear (10%), solar (5%), and coal (3%), other nonrenewables (5%), and other renewables (1%) (see chart 8).

ENGIE also benefits from a large and broad customer base, including 6.2 million residential gas contracts (60% market share) and 5 million electricity contracts in France (roughly 15% market share) at year-end 2021. The group is a world leader in energy services. It generated almost €800 million of EBITDA in energy solutions in 2021 and €445 million in supply.

ENGIE reported revenue of €57.9 billion and EBITDA of €10.6 billion for the year to Dec. 31, 2021. The company is listed on the Paris Stock Exchange and is part of the CAC 40, a benchmark French stock market index. It had a total market capitalization of more than €30 billion as of August 2022. The French government owns 23.64% of the company and holds 33.2% of the voting rights.

Chart 3

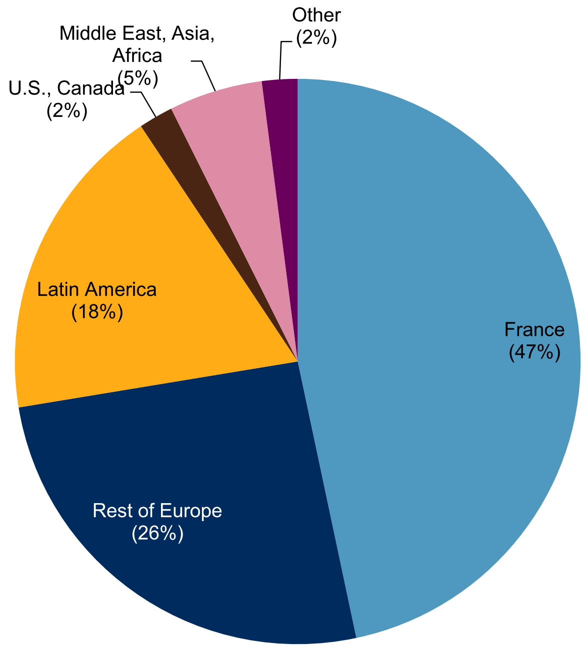
ENGIE's EBITDA Breakdown By Business Line (2021)



*Mainly corporate, GEMS and GTT. Source: S&P Global Ratings.

Chart 4

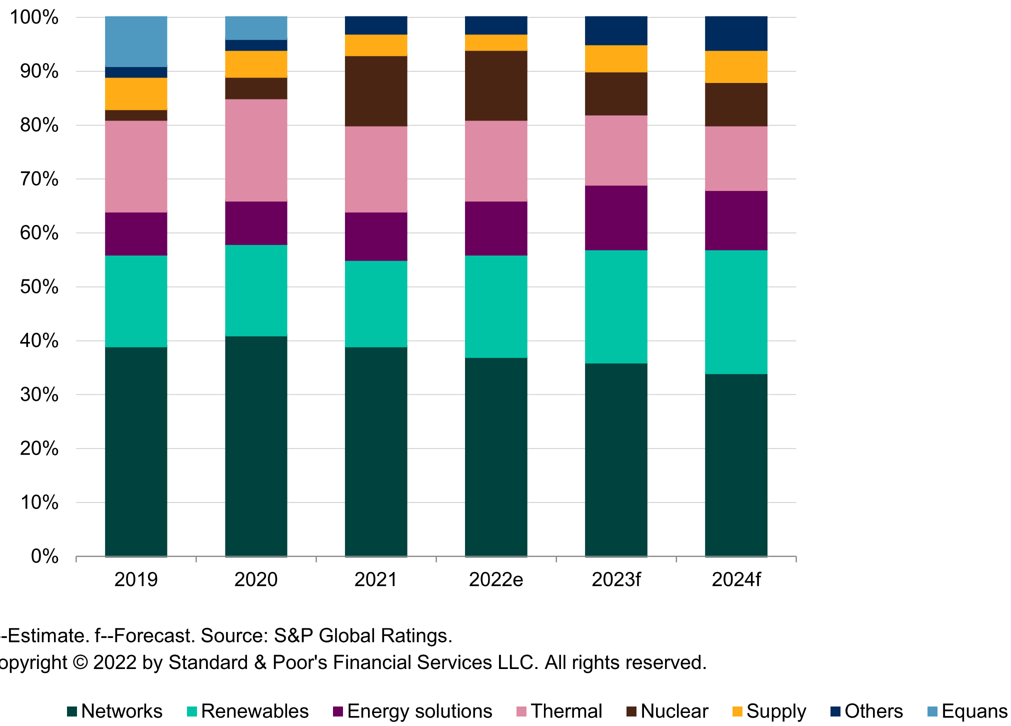
ENGIE's EBITDA Breakdown By Geography (2021)



Source: S&P Global Ratings.

Chart 5

ENGIE's Business Transformation By Share Of EBITDA
2019-2024

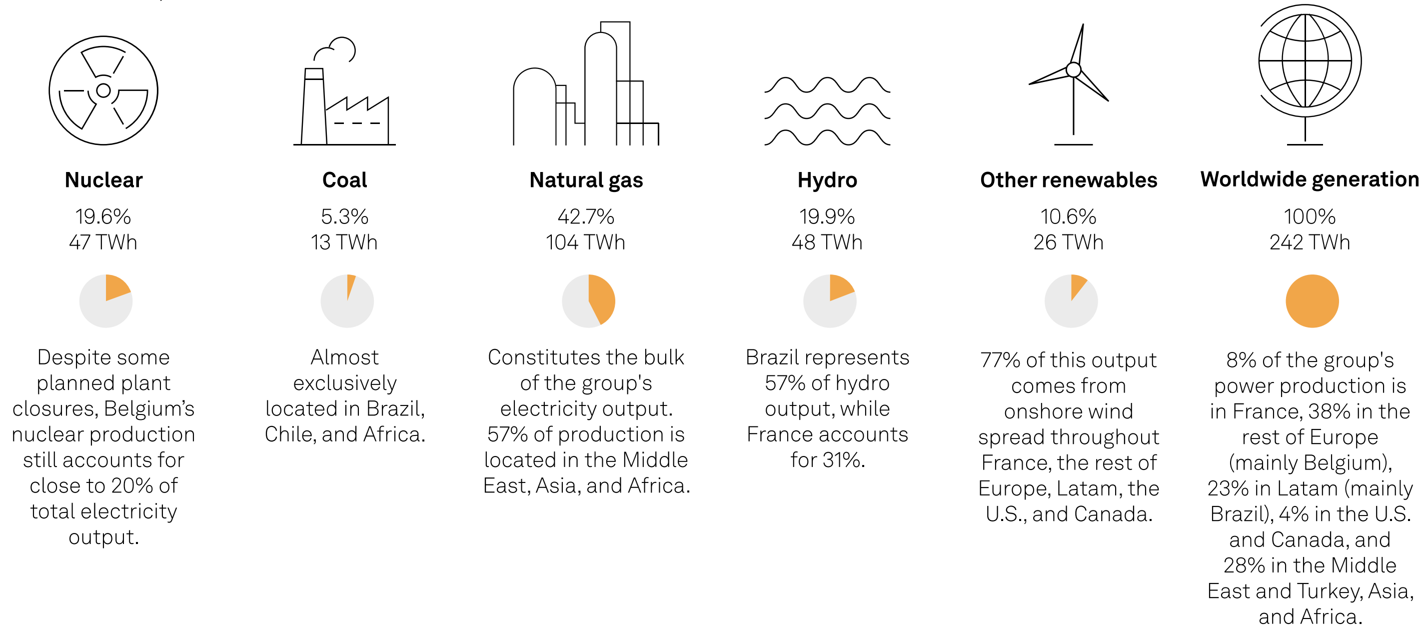


e--Estimate. f--Forecast. Source: S&P Global Ratings.

Chart 6

ENGIE Power Generation Fleet Key Highlights

As of Dec. 31, 2021



Figures shown above are percentage of consolidation and electricity output. TWh--Terawatt hour.
Sources: Company results, S&P Global Ratings.

Peer Comparison

Table 1

Engie S.A.--Peer Comparison

Industry sector: Energy

	Engie S.A.	Electricite de France S.A.	Enel SpA	Iberdrola S.A.	SSE PLC
Ratings as of July 20, 2022	BBB+/Stable/A-2	BBB/Watch Neg/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
	--Fiscal year ended--				
	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2021	March 31, 2021
(Mil. Mix currencies)	€	€	€	€	£
Revenue	57,866.0	84,461.0	86,159.0	39,114.0	6,826.4
EBITDA	10,203.0	17,456.0	14,676.0	11,072.0	1,968.2
Funds from operations (FFO)	8,794.8	13,412.5	11,011.5	9,258.0	1,590.5
Interest expense	1,545.2	(621.4)	3,265.0	1,628.5	398.3
Cash interest paid	840.2	1,767.5	1,818.5	982.0	314.9
Cash flow from operations	6,101.8	11,149.5	10,154.5	6,954.0	1,791.0
Capital expenditure	5,895.0	17,045.0	12,201.0	7,181.0	1,163.1

Table 1

Engie S.A.--Peer Comparison (cont.)					
Free operating cash flow (FOCF)	206.8	(5,895.5)	(2,046.5)	(227.0)	627.9
Discretionary cash flow (DCF)	(1,601.0)	(6,419.0)	(7,186.0)	(2,970.0)	(967.0)
Cash and short-term investments	13,718.0	22,458.0	8,780.0	4,045.0	1,600.2
Debt	43,051.5	74,843.1	70,374.1	44,488.4	8,584.1
Equity	40,095.5	55,857.0	39,934.5	52,001.0	6,326.9
Adjusted ratios					
EBITDA margin (%)	17.6	20.7	17.0	28.3	28.8
Return on capital (%)	6.4	5.3	9.9	8.1	9.5
EBITDA interest coverage (x)	6.6	(28.1)	4.5	6.8	4.9
FFO cash interest coverage (x)	11.5	8.6	7.1	10.4	6.1
Debt/EBITDA (x)	4.2	4.3	4.8	4.0	4.4
FFO/debt (%)	20.4	17.9	15.6	20.8	18.5
Cash flow from operations/debt (%)	14.2	14.9	14.4	15.6	20.9
FOCF/debt (%)	0.5	(7.9)	(2.9)	(0.5)	7.3
DCF/debt (%)	(3.7)	(8.6)	(10.2)	(6.7)	(11.3)

ENGIE's closest peers are the large European integrated utilities, notably Enel SpA and Iberdrola S.A..

We believe that the sale of its asset-light client solutions business (Equans) and the acceleration into renewables will contribute to repositioning ENGIE closely with the energy transition champions such as Iberdrola or Enel.

Uncertainties remain, however, on the long-term role of gas, to which ENGIE is more exposed than its peers (Enel only has power networks, while Iberdrola only has some gas distribution networks in the U.S., representing less than 5% of total EBITDA) through a sizable thermal generation fleet and its grid operations, which are almost exclusively gas and offer reduced growth prospects amid massive electrification trends.

Over the medium term, lowering its carbon footprint entails further initiatives such as potentially replacing the natural gas network assets with renewable gases and hydrogen. That said, the group has not embarked on major investments yet and is keeping its options open regarding its role in the hydrogen value chain, including production (0.6GW green hydrogen capacity by 2025 and 4GW by 2030), midstream (making a transmission pipeline fit for hydrogen), or mobility (through refueling stations).

Business Risk: Strong

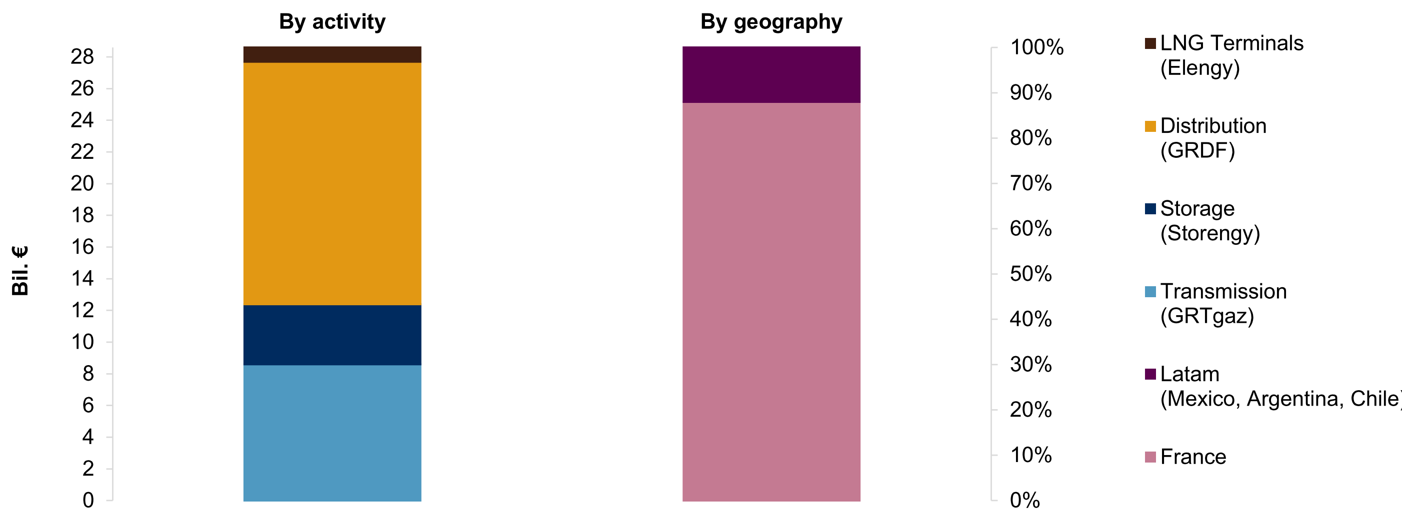
A sizable share of regulated gas and some power networks (expected to remain at about 35% over 2022-2024) supports ENGIE's cash flows and underpins its strong business risk profile.

With a regulated asset base (RAB) worth €28.6 billion in France, the company's regulated infrastructure business provides some resilience to the group's earnings (39% of EBITDA in 2021) and is paramount to its credit profile, given the more defensive features of these assets. Over the next three years, we expect ENGIE's RAB, including its €3.8 billion of quasi-RAB in Latin America (see chart 7), to expand moderately on continued investments despite lower associated remuneration from French gas activities.

Chart 7

ENGIE SA's RAB Split By Activity And Geography

€28.6 billion of French RAB and €3.8 billion of quasi-RAB related to international activities at Dec. 31, 2021



GRTgaz--Gaz Réseau Transmission Gaz. GRDF--Gaz Réseau Distribution France. Source: Company disclosures and S&P Global Ratings.

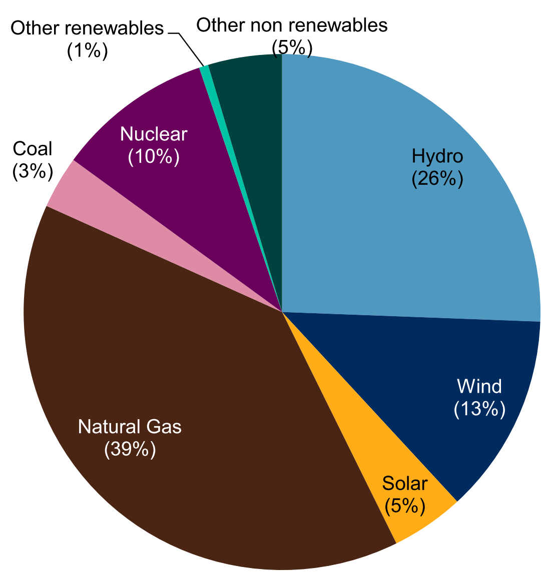
- France: We see the regulatory framework as strong, providing good earnings stability. For more details about our views on the French regulatory framework, see "French Electricity And Gas Regulatory Frameworks: Very Supportive," March 5, 2021. Investment growth should be slower (focusing on renewable gas integration) because gas networks have been well invested in over the past decade and gas consumption is forecast to decline by 2030. By 2050, we anticipate a lower strategic role of gas infrastructure given the target of zero carbon emissions under the European Green Deal. Over the outlook horizon, we expect the EBITDA contribution of network and concessions activities will slightly decline toward 35% of ENGIE's consolidated results. Should this decline be more material than currently expected, with a significant rebalancing between the French and international grid exposure, we could revise upward our FFO-to-net-debt thresholds for the ratings.
- International regulated gas assets: Network asset base growth was driven by the acquisition of a noncontrolling stake (54.8% from 2020) in Brazilian transmission gas pipeline, Transportadora Associada de Gás S.A. (TAG). This acquisition increases the company's exposure to stable infrastructure-based cash flow streams because TAG's network revenue is protected by contracts with a 10-year average remaining life, but it also expands its presence in Brazil, which entails potentially more volatile macroeconomic, regulatory, and political risks. At this stage, ENGIE does not have a controlling ownership of TAG, directly or indirectly, favoring its status of industrial pipeline

operator. For this reason, we follow the group's reporting and apply equity consolidation of TAG within the group, with a dividend contribution of €222 million in 2021 (€231 million in 2020). If this strategy changes toward a higher stake in the asset, we may revise our approach and start applying full consolidation of TAG.

ENGIE's generation mix remains dominated by gas, with significant merchant exposure in Europe mitigated by the long-term contracted features of its fleet outside Europe. Following the group's disposals over the past few years (exploration and production assets in the U.S., upstream LNG activities, 1GW in the Australian Loy Yang B coal plant, and stake in Glow combined cycle gas turbines), ENGIE's share of merchant generation decreased to the benefit of an expanding and more contracted generation fleet (renewables and thermal generation assets contracted under purchase price agreements [PPAs]). While in Europe, merchant exposure is the greatest through thermal and nuclear generation, international exposure mitigates this weakness. Indeed, outside Europe the majority of the group's gas-fired generation capacity operates under long-term contracts. Generation activities include a large range of facilities, including regulated renewables and plants under long-term PPAs (10-30 years) that provide relatively high cash flow predictability. We also view as positive that the group's power generation assets are newer than those of most peers. They are low-carbon-dioxide-emitting assets that could eventually benefit from more stringent environmental rules, including the introduction of a carbon floor price, and a political push to accelerate the exit of coal energy sources. The group's thermal capacity will be further reduced by a planned coal phase-out by 2025 in Europe and 2027 globally, from 2.1GW at end-2021.

Chart 8

ENGIE's Installed Capacity By Technology Based On Proportional Consolidation (63.1 GW)
% of consolidation, 2021



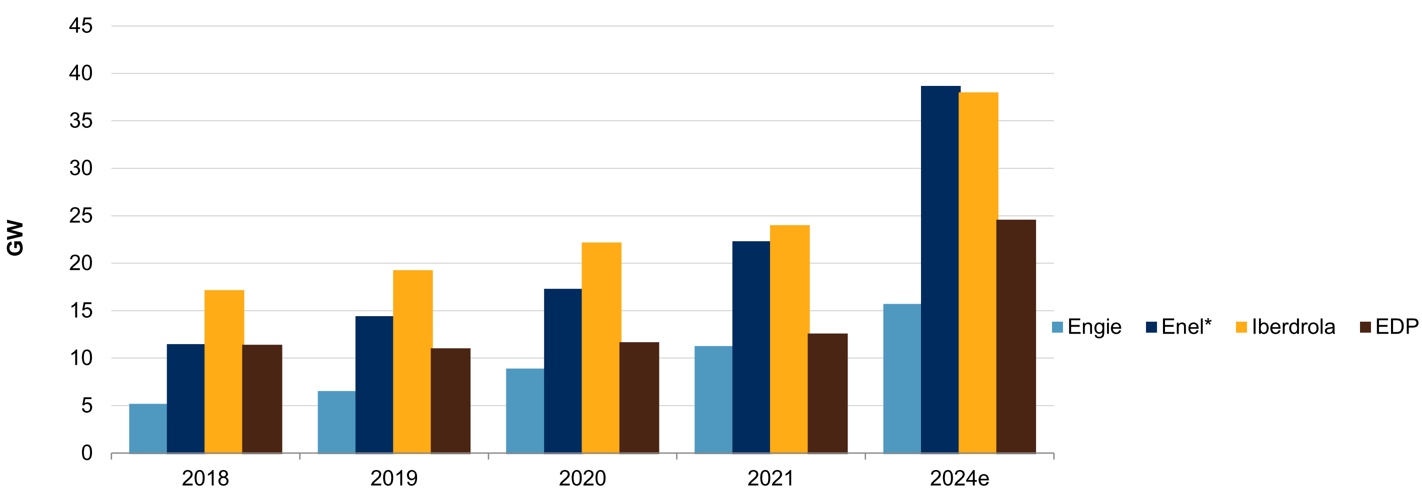
Source: S&P Global Ratings.

We view positively the acceleration of investments in renewables that allow ENGIE to better defend its competitive position with a greener generation mix. Based on the group's revised targets to add 4GW of renewable capacity per year over 2022-2025--with the bulk from onshore wind and solar (14GW) and about 2GW from offshore wind (U.K. Moray projects to be developed with Energias de Portugal Renovaveis (EDPR))--we expect the renewables segment's contribution to increase to about 23% of EBITDA in 2024 from 16% in 2021 (see chart 5). We see manageable execution risk for ENGIE in achieving its renewables capacity addition targets through 2025. This is because 7GW is already either under construction or secured, and the group has a robust pipeline of 66GW in Europe (mainly France), Latin America, and the U.S., of which 34GW will be delivered across 2023-2025. Exposure to less mature offshore wind technology will only be material after 2025 and thus represents a limited risk over the coming years. Moreover, as the group's business model evolves, it will retain more capacity and eventually have the majority of renewable assets operating under a develop-to-own model. This should translate into a progressively higher earnings contribution. Overall, the group's renewables portfolio will increase to 50GW and 80GW in 2025 and 2030, respectively, from 36GW in June 2022, by adding 6GW per year in 2026-2030. While we see this acceleration as very positive for the group's business risk, we will monitor its ability to retain a high contracted portion and limit its merchant exposure to 25%-30%. A smooth execution of these ambitious capacity addition targets will be key to ENGIE achieving its decarbonization targets, especially as ENGIE remains a relatively small player in renewables compared with large European peers, despite its strong positions in French onshore wind (see chart 9).

Chart 9

Evolution Of Renewable Installed Capacity, Excluding Hydro

ENGIE and closest peers



e--Estimate. GW--Giga watt. *Consolidated capacity from 2020 onwards. Source: S&P Global Ratings.

Nuclear operations in Belgium continue to constrain the rating for now, with potential 10-year extensions to the two most recent reactors remaining uncertain. No further impairments for nuclear assets were reported in 2021, following the sizable impairment in 2020 of €2.9 billion, reflecting its decision not to pursue a 20-year extension on half of its nuclear units beyond 2025. While this alleviated uncertainties concerning the life-extension capex plan, it also confirmed that the nuclear phaseout of its 5.9GW capacity remains credit negative because the group will still bear net provisions of about €10.7 billion with no operating cash flow associated from 2026. This is why we would view the potential nuclear extensions as credit positive, since they will mean additional EBITDA, provided they come with certain conditions on additional liabilities. On the operating side, we expect high availability of about 80% (including a 10% forced outage rate) over 2022-2024, which should support the earnings trajectory amid a supportive pricing environment.

Following the disposal of the Equans platform, ENGIE will focus on the more resilient asset-based Client Solutions business, with ambitions to expand district heating and cooling capacity. Over 2022-2025, the group also intends to focus on Energy Solutions, which generated €799 million of EBITDA in 2021 (without Equans). This segment enjoys a solid market share, with a largely contracted business model (meaning limited exposure to demand risk) and a target to add 8GW of distributed energy infrastructures by 2025, to reach 32GW. Investments will primarily flow into district heating and cooling (55% of additional capacity) where the group is the largest global operator through its 40% equity stake in Tabreed, 100% in Climespace, and 66.5% in Compagnie Parisienne de Chauffage Urbaine (CPCU). The remaining investments will be dedicated to onsite generation (essentially distributed solar) for cities and industrial clients (35%-40%), notably via long-term corporate power purchase agreements and energy efficiency.

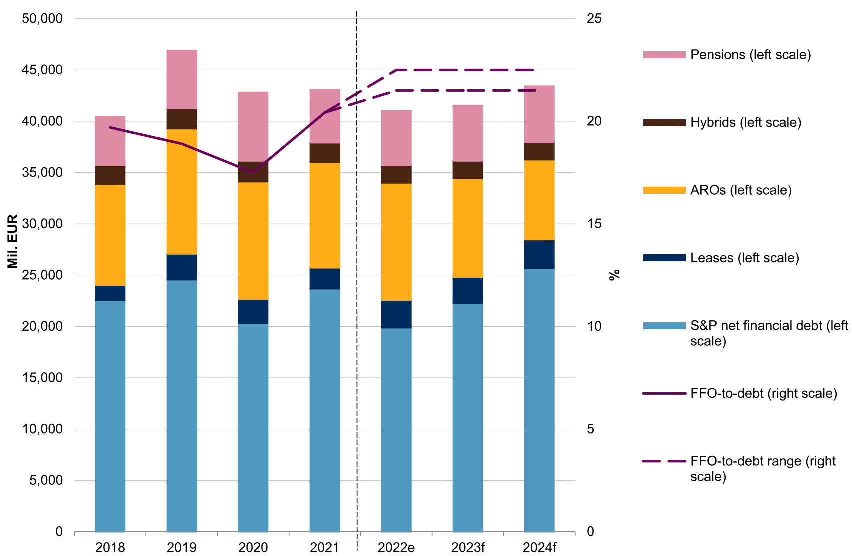
Financial Risk: Significant

We expect a still-high level of net financial and economic debt at the end of 2024, despite its significant asset-disposal plan, but our adjusted FFO to debt will remain well above 18%. Over 2022-2024, we anticipate ENGIE will generate negative discretionary cash flows (about €3.3 billion per year on average before disposals) due to a narrower business scope, and gradual increase in investments and dividend distributions; this conservatively factors in nuclear dismantling funding needs. That said, we expect the large disposals program (€11.8 billion in aggregate over 2022-2024) will help avert the increase in net reported debt. We therefore forecast reported net financial debt will remain stable at €25 billion in 2024, similar to that in 2021. We therefore forecast that adjusted debt will slightly decline in 2024 compared to 2021, even taking into account the rise of nuclear provisions from the end of 2022.

As a result, we believe ENGIE will likely post adjusted FFO to debt well above 18% over 2022-2024 (see chart 10). At the same time, we expect debt to EBITDA to remain at, or slightly below, 4x. Given the relatively high share of EBITDA from regulated network activities (about 35% over 2022-2024), which add cash flow stability and visibility, we benchmark the group's credit metrics against our medial volatility table.

Chart 10

ENGIE's Leverage And FFO-To-Debt Evolution
2018a-2024f



f--Forecast. e--Estimate. AROa--Asset-retirement obligations. FFO--Funds from operations. Source: S&P Global Ratings.

Financial policy continues to support a solid investment-grade rating. An important factor for our 'BBB+' rating on ENGIE remains the group's financial policy. In its 2022-2024 strategic update, ENGIE reiterated its commitment to a strong investment-grade rating, with a target to keep its economic net debt to EBITDA at 4.0x or lower. This ratio reached 3.6x at year-end 2021 and compares with our adjusted leverage metric of FFO to net debt of 20.4%. The dividend policy of a 65%-75% net profit payout ratio, with a floor at €0.65 per share, is in line with the sector. We note the group demonstrated its financial flexibility in 2020 when it withdrew a dividend distribution amid poor operating performance. The successful execution of the group's disposals and strategy signals alignment of interests between the senior management team and board of directors.

Trading risks are partly mitigated by the group's prudent hedging and very high liquidity. The Russia-Ukraine conflict and European gas crisis increase ENGIE's market, counterparty, and cash risks. In our view, these risks are manageable, absent a gas curtailment scenario for which the outcome is largely unpredictable. This is because the group has sophisticated commodity risk management, inherited from its longstanding energy management operations, and strong banking relationships.

- Market risk: We understand that ENGIE's exposure to price increases is limited to short-term deliveries that are fixed one month-ahead and hedged. ENGIE buys its gas at variable prices then sells it to its residential and industrial customers, largely at variable prices (a key difference compared to Uniper). The company manages this maximal exposure with a flexible approach depending on market conditions and the environment. Its agile approach should reduce the negative effect of buying extra volumes on a higher gas spot market.

- Cash risk: The group has been proactive in protecting its liquidity position ahead of the current energy crisis to limit the volatility of its cash balance linked to margining in hedging contracts. Three years ago, ENGIE implemented a liquidity swap program and negotiated a margin calls' substitution with stand-by letters of credit (SBLC) through its core banks. These two levers allowed ENGIE to pass on part of the cash risk to the core banking partners at Dec. 31, 2021. For instance, €1.1 billion of SBLC reduced the group's need for initial margins, which have increased drastically for the sector to reflect the intraday volatility of commodity prices, limiting the initial margin impact to €4.4 billion at Dec. 31, 2021.
- Counterparty risk: This cannot be entirely mitigated and remains high in the context of increased liquidity pressure for all gas traders due to a spike in margin calls and collateral posting. However, ENGIE's very high liquidity over the next 12 months acts as a robust mitigant, demonstrating the group's risk management standards. For instance, the group secured an additional €1.5 billion swingline over the past few months and has maintained a very high liquidity buffer (cash and available credit lines of about €25 billion as of June 30, 2022) to address the current crisis.

Increasing financial complexity in offshore wind operations, as off-balance-sheet debt could increase. In 2019 ENGIE and EDPR created a 50-50 joint venture in offshore wind, Ocean Winds, with a target of reaching 5-10GW of projects under advanced development by 2025. Since then, Ocean Winds has been involved in about 12 projects globally, of which about 1.5GW (Moray East 950MW, SeaMade 487MW, and Windfloat Atlantic 25GW) is already under operation and about 10.7GW under construction. While most of the capacity is still under construction and Ocean Winds will reach a critical size around 2025, we will closely monitor the financing of the projects, notably assessing whether there is a significant increase in off-balance-sheet debt for ENGIE.

Financial summary

Table 2

Engie S.A.--Financial Summary					
Industry sector: Energy					
	--Fiscal year ended Dec. 31--				
	2021	**2020**	**2019**	**2018**	**2017**
(Mil. €)					
Revenue	57,866.0	55,751.0	60,058.0	60,596.0	65,029.0
EBITDA	10,203.0	8,903.0	10,299.0	9,590.0	9,244.0
Funds from operations (FFO)	8,794.8	7,503.0	8,844.0	7,947.6	7,276.1
Interest expense	1,545.2	1,477.0	1,499.0	1,414.0	1,675.9
Cash interest paid	840.2	832.0	940.0	966.5	1,107.9
Cash flow from operations	6,101.8	6,888.0	7,415.0	7,549.7	8,517.1
Capital expenditure	5,895.0	5,012.0	6,418.0	6,068.0	5,675.0
Free operating cash flow (FOCF)	206.8	1,876.0	997.0	1,481.7	2,842.1
Discretionary cash flow (DCF)	(1,601.0)	1,318.0	(2,801.0)	(1,104.8)	(96.9)
Cash and short-term investments	13,718.0	12,912.0	10,433.0	8,579.0	8,790.0
Gross available cash	14,268.0	13,488.0	10,887.0	9,732.0	9,898.0
Debt	43,051.5	42,791.0	46,865.6	40,434.3	41,381.7

Table 2

Engie S.A.--Financial Summary (cont.)

Industry sector: Energy

	--Fiscal year ended Dec. 31--				
	2021	**2020**	**2019**	**2018**	**2017**
Equity	40,095.5	31,817.0	36,080.5	39,067.0	41,012.5
Adjusted ratios					
EBITDA margin (%)	17.6	16.0	17.1	15.8	14.2
Return on capital (%)	6.4	5.5	7.3	6.5	6.1
EBITDA interest coverage (x)	6.6	6.0	6.9	6.8	5.5
FFO cash interest coverage (x)	11.5	10.0	10.4	9.2	7.6
Debt/EBITDA (x)	4.2	4.8	4.6	4.2	4.5
FFO/debt (%)	20.4	17.5	18.9	19.7	17.6
Cash flow from operations/debt (%)	14.2	16.1	15.8	18.7	20.6
FOCF/debt (%)	0.5	4.4	2.1	3.7	6.9
DCF/debt (%)	(3.7)	3.1	(6.0)	(2.7)	(0.2)

Reconciliation

Table 3

Engie S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2021--								
Engie S.A. reported amounts									
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Dividends**	**Capital expenditure**
Reported	39,005.0	36,993.0	12,120.0	6,722.0	908.0	10,203.0	6,826.0	1,859.0	5,990.0
S&P Global Ratings' adjustments									
Cash taxes paid	--	--	--	--	--	(603.0)	--	--	--
Cash interest paid	--	--	--	--	--	(719.0)	--	--	--
Reported lease liabilities	2,043.0	--	--	--	--	--	--	--	--
Intermediate hybrids reported as equity	1,883.5	(1,883.5)	--	--	51.2	(51.2)	(51.2)	(51.2)	--
Postretirement benefit obligations/deferred compensation	5,142.0	--	(43.0)	(43.0)	69.0	--	--	--	--
Accessible cash and liquid investments	(14,268.0)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	70.0	(70.0)	(70.0)	--	(70.0)
Capitalized development costs	--	--	(25.0)	(25.0)	--	--	(25.0)	--	(25.0)
Share-based compensation expense	--	--	48.0	--	--	--	--	--	--

Table 3

Engie S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €) (cont.)									
Dividends received from equity investments	--	--	662.0	--	--	--	--	--	--
Asset-retirement obligations	10,302.0	--	--	--	447.0	--	--	--	--
Income (expense) of unconsolidated companies	--	--	(800.0)	--	--	--	--	--	--
Nonoperating income (expense)	--	--	--	125.0	--	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(578.0)	--	--
Noncontrolling interest/minority interest	--	4,986.0	--	--	--	--	--	--	--
Debt: Derivatives	(977.0)	--	--	--	--	--	--	--	--
Debt: Fair value adjustments	(187.0)	--	--	--	--	--	--	--	--
Debt: Put options on minority stakes	108.0	--	--	--	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	(1,107.0)	(1,107.0)	--	--	--	--	--
EBITDA: Fair value changes of contingent consideration	--	--	69.0	69.0	--	--	--	--	--
EBITDA: Derivatives	--	--	(721.0)	(721.0)	--	--	--	--	--
Funds from operations: Other	--	--	--	--	--	35.0	--	--	--
Total adjustments	4,046.5	3,102.5	(1,917.0)	(1,702.0)	637.2	(1,408.2)	(724.2)	(51.2)	(95.0)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditure**
Adjusted	43,051.5	40,095.5	10,203.0	5,020.0	1,545.2	8,794.8	6,101.8	1,807.8	5,895.0

Liquidity: Strong

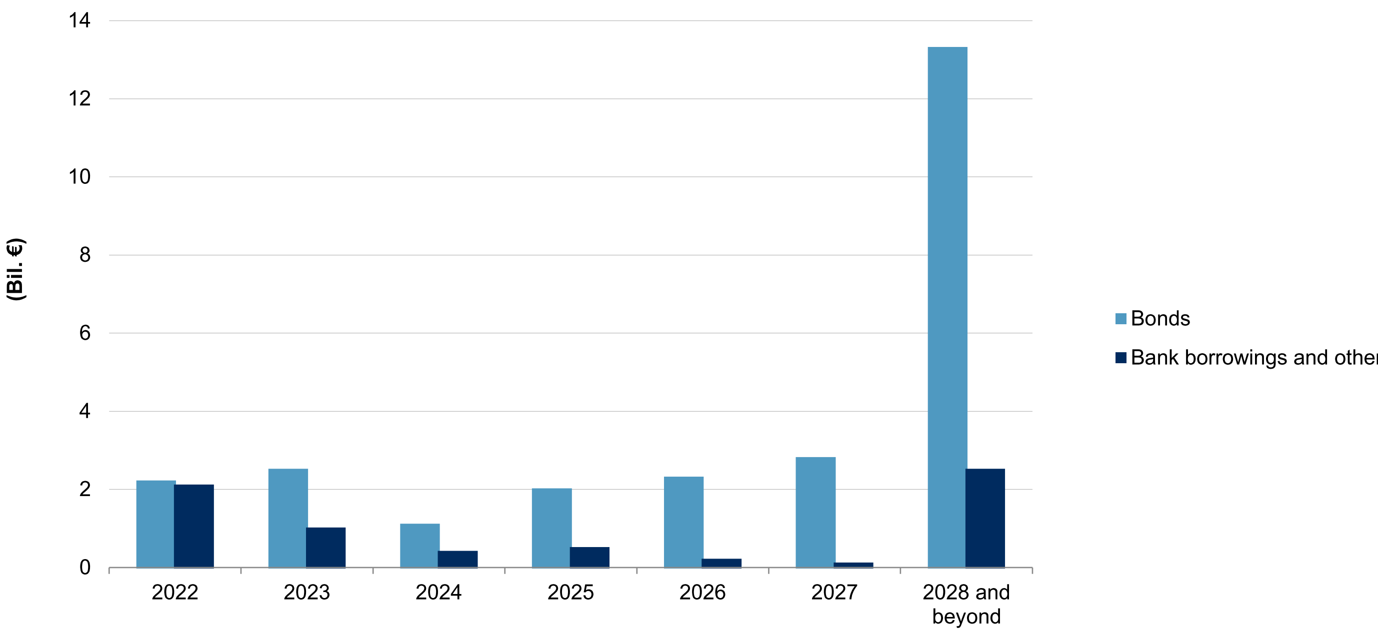
We view ENGIE's liquidity as strong, as reflected in the a short-term rating of 'A-2'. We believe that the group's proactive liquidity management, ample cash, and available committed facilities should provide an adequate buffer against the current high commodity prices and heightened market volatility, with potential sizable margin calls and working capital requirements. As of June 30, 2022, projected sources of funds exceeded projected uses by around 1.8x over the next 12 months. Our assessment is further supported by the group's solid relationships with banks, and proven access to the capital markets, even under dire market conditions.

Principal liquidity sources as of June 30, 2022, include	Principal liquidity uses as of June 30, 2022, include
• About €15 billion in available cash and marketable securities at the group level. • €10.2 billion in available committed credit lines maturing beyond 12 months, of which €5 billion and €4 billion relate to two syndicated facilities maturing in December 2025 and December 2026, respectively. €1.2 billion relates to committed bilateral revolving credit facilities with a maturity above 12 months. • Our forecast of cash FFO of about €8 billion over the next 12 months. • Asset disposals, signed or at very advanced stages, of €8.2 billion over the next 12 months, of which €6.6 billion stems from the sale of Equans, which will be cashed in by second-half 2022.	• Long- and short-term debt maturities of about €11.4 billion. • Our estimate of about €10 billion in annual capex, including, conservatively, Synatom funding. • Dividend cash payments of about €2.8 billion, including subsidiaries' minority shareholders

Debt maturities

Chart 11

ENGIE's Debt Maturities



Source: S&P Global Ratings.

Environmental, Social, And Governance

Environmental factors are a moderately negative consideration in our credit rating analysis of ENGIE, although we note the company's progress in managing its environmental risks since 2015 through an in-depth transformation. On its path to net-zero emissions by 2045 across all scopes, ENGIE plans to reduce its carbon intensity to 168 grams per kilowatt hour (g/KWh) in 2030 from 240g/KWh in 2021 (excluding Equans) and its greenhouse gas (GHG) emissions from energy production to 43 million tons of carbon dioxide (MtCO2) equivalent in 2030 from 67 MtCO2 equivalent in 2021. These targets should be facilitated by the group's coal exit plan and larger share of renewables in the mix, even if they remain ambitious given that ENGIE's carbon intensity remains higher than best-in-class peers, such as Iberdrola, Orsted, and EDP.

The company's nuclear operations in Belgium also pose several challenges related to the future of long-term nuclear waste storage, with increasing liabilities net of dedicated assets (€9.5 billion at year-end 2021) to reflect the regulatory triennial revision in Belgium.

Social risks are increasing in France in the context of affordability pressures building on rising energy prices. The government announced a gas tariff freeze to retail customers under fixed price contracts or regulated tariffs applied between Jan. 1, 2022, and until the end of the year. Although this will entail a working capital burden for the group, it will not trigger a loss and it should be recovered progressively by subsequent tariff increases or be compensated by the state through the "public service charges for energy" mechanism, therefore limiting the financial impact. We also positively note that the group is taking action to support affordability, with the introduction of two new schemes: an extra €100 to 880,000 of its customers that already receive energy vouchers, for a total of €90 million; and a €60 million fund to help small and midsize companies in the current situation.

Government Influence

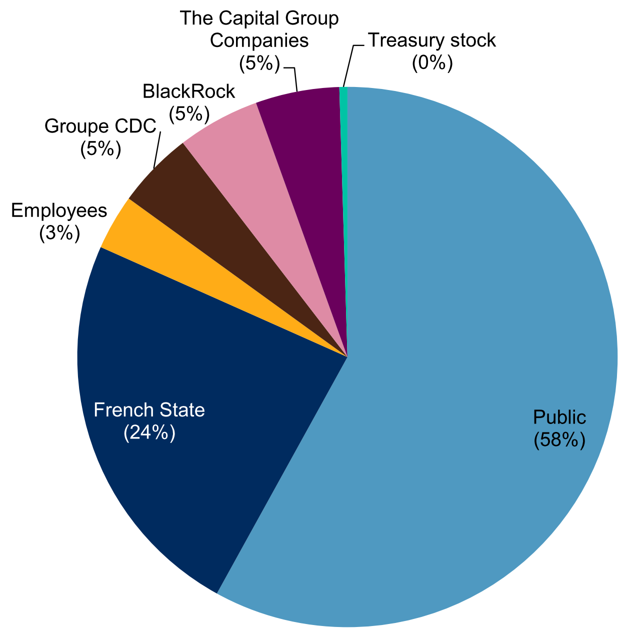
Although the French state is ENGIE SA's largest shareholder with a 23.64% direct stake (see chart 12) and 33.2% of the voting rights at year-end 2021, it does not control it. The French law for companies' growth and transformation, the "Loi PACTE" approved in 2019, revised the obligation of the French state to hold minimal voting rights within ENGIE (set at two-thirds of voting rights by the Energy Law). However, we lack clarity around the government's disposal of any further stake. In addition, Loi PACTE allows ENGIE, along with CDC/CNP, to hold a majority stake in regulated transmission gas operator GRTGaz (currently ENGIE holds 60.8% and CDC/CNP 38.6%, with the remainder held by the personnel).

However, the government also holds a golden share in the group to protect the national interest and ensure energy supply security, which legally entitles it to veto any decisions made by the group and its subsidiaries to sell, transfer operations, or assign as collateral its regulated assets in France.

Overall, we view the likelihood of support as low, with no support to the issuer credit rating.

Chart 12

ENGIE's Shareholding Structure
April 30, 2022



Source: S&P Global Ratings.

Issue Ratings - Subordination Risk Analysis

Capital structure

At year-end 2021, ENGIE's capital structure comprised about €39 billion of senior unsecured debt and about €3.8 billion of hybrid securities issued by ENGIE S.A. and its financing subsidiaries. The group has debt of about €7.2 billion under local subsidiaries.

Analytical conclusions

We do not see any material structural subordination risk for the senior unsecured debt instruments and rate them 'BBB+', in line with the issuer credit rating on ENGIE.

Ratings Score Snapshot

Issuer Credit Rating

BBB+/Stable/A-2

Business risk: Strong

- **Country risk:** Low
- **Industry risk:** Intermediate
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/leverage:** Significant

Anchor: bbb

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Strong (no impact)
- **Management and governance:** Satisfactory (no impact)
- **Comparable rating analysis:** Positive (+1 notch)

Stand-alone credit profile : bbb+

- **Group credit profile:** bbb+
- **Likelihood of government support:** Low (no impact)

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- The Dash For Gas Fuels Risks For European Utilities, Slows Energy Transition, June 29, 2022
- ENGIE Energia Chile S.A. 'BBB' Ratings Affirmed Despite Higher-Than-Expected Leverage; Outlook Still Stable, June 23, 2022
- French Utility ENGIE Affirmed At 'BBB+/A-2' On Solid Financial Ratios, Supportive Financial Policy; Outlook Stable, April 22, 2022
- French Utility ENGIE's Strong 2021 Performance Is Set To Restore Rating Headroom, Feb. 16, 2022
- ESG Credit Indicator Report Card: Power Generators, Nov. 18, 2021
- ENGIE Gets Closer To Transformation Milestone On Announced Equans Disposal, Nov. 15, 2021
- French Energy Co. ENGIE's Proposed Hybrid Instrument Rated 'BBB-'; Equity Content Intermediate, June 23, 2021
- French Gas Utility ENGIE Affirmed At 'BBB+/A-2' Amid Transition, On Supportive Financial Policy; Outlook Stable, June 7, 2021
- French Electricity And Gas Regulatory Frameworks: Very Supportive, March 5, 2021

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	**Significant**	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	**bbb**	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of August 17, 2022)*	
Engie S.A.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	A-2
Junior Subordinated	BBB-
Senior Unsecured	BBB+
Subordinated	BBB-
Issuer Credit Ratings History	
24-Apr-2020	BBB+/Stable/A-2
25-Mar-2020	A-/Watch Neg/A-1

Ratings Detail (As Of August 17, 2022)*(cont.)	
02-Apr-2019	A-/Stable/A-1
30-Apr-2018	A-/Stable/A-2
Related Entities	
Engie Energia Chile S.A.	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured	BBB
GIE ENGIE Alliance	
Issuer Credit Rating	BBB+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.