

01 July 2024 – Neuss, Germany

## Rating Action / Update:

### Creditreform Rating has affirmed the unsolicited corporate issuer rating of Engie at **BBB+** / **stable**

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

#### Analysts

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### Current relevant factors for the rating

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

- + Strong market position in France and Europe
- + Stable and predictable cash flows from regulated and contracted activities
- + Based on the 3M 2024 figures, Engie confirmed 2024 guidance
- + Commitment to maintain leverage ratio economic net debt to EBITDA at or below 4.0x
- + As of 31 March 2024 net debt to EBITDA amounted to 2,9x after 3,1x as of 31 December 2023
- + Strong liquidity position and proved access to capital markets
- + Exposure to volatility of power prices is limited while energy sales have been hedged and securing energy supply due to expanding source
  
- CRA's equity and net total debt / EBITDA adj., still dampened by margin calls / derivative instruments, fair value adjustments, and rise in financial debt
- Increased counterparty and financial risks (margin calls, derivative instruments)
- Integration risks linked to future acquisitions
- Possible leverage increase in connection with acquisitions/investments
- Country risks
- Increased risks due to the energy price crisis and rising production costs

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

#### ESG-criteria:

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

Although we have not identified any ESG factors for Engie, which would influence the rating, ESG factors play an important role for the Company.

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

The Company has made significant progress on ESG in recent years and the transformation is likely to continue. Group pursues its corporate strategy. Engie is a major player in the renewable energy sector in Europe. In France, Engie is the leading producer of onshore wind and solar energy and second-largest producer of hydropower.

Engie has set itself the target of accelerating the development of renewable energy internationally, planning to add an average of 4 GW per year of renewable energy until 2025. In March 2024, the Company installed 42.1 GW of renewable capacity, and 7.0 GW are presently under construction. Its ambitious targets are extremely capital intensive, reflected in its high capex, but also necessary in order to cope with the energy transition.

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

### Rating result

In view of the year-on-year improvement in earnings (EBT) in the 2023 financial year, and despite the decline in sales and the assumptions thus confirmed in last year's rating, the rating is affirmed and the outlook remains stable.

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

capital, as well as its systemic importance for the country, we consider the Company to be government-related. This fact has a positive impact on our rating assessment; however, this supportive effect on the rating could be lost if the French state (CRA's unsolicited sovereign rating of French Republic: **AA / negative**; state of the report 18 April 2024)<sup>1</sup> were to further decrease its stake in the Company.

## Outlook

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

### Best-case scenario: BBB+

In our best-case scenario for one year, we assume a stable rating of BBB+. We assume that Engie's economic situation will be confirmed in the 2024 financial year similar to Engie's planned development.

### Worst-case scenario: BBB

In the worst-case scenario for one year, we assume a rating of BBB. In this scenario, we assume that the economic environment does not improve in line with the forecast, which could also have a negative impact on Engie's economic situation. A downgrade of the unsolicited sovereign rating of France, which has no impact on Engie's economic situation, would not necessarily lead to a downgrade of the company, as the sovereign rating has a certain buffer.

## Business development and outlook

During the 2023 financial year, consolidated revenues amounted to EUR 82,565 million (2022: EUR 93,865 million). All segments experienced a decline in revenue in the 2023 financial year, with the "Renewables", "FlexGen" and "Others" segments being the most affected. Nevertheless, earnings (EBT) increased again significantly compared to the previous year thanks to significant reductions in expenses. The "Others" segment is largely characterized by the GEMS division. GEMS is projected to further enhance the integrated business model securing energy supply, optimizing and managing risks for ENGIE and third parties.

Revenues for "Renewables" amounted to EUR 5,512 million, -11.3% on a gross basis and -13.0% organically. Organically, revenue largely decreased in Europe, most notably in France due to lower spot power prices compared to last year.

Revenues for "FlexGen" amounted to EUR 5,264 million, -26.1% on a gross basis and -24.5% on an organic basis. Impact from foreign exchange amounts to €-98 million, mainly in Pakistan and

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<sup>1</sup> For more details, see the rating report published on our website: [www.creditreform-rating.de](http://www.creditreform-rating.de)

Chile. The organic change is largely explained by Europe, mainly due to lower ancillaries and spreads in a normalizing market. In Latin America, revenue increased due to the indexation of PPA contracts in Chile and higher generation and prices in Peru.

Revenues for "Others" amounted to EUR 37,332 million. The decrease compared to last year was mainly driven by "GEMS", essentially impacted by a negative net impact of commodity prices and lower delivered volumes.

The reported EBITDA amounted to EUR 15,000 million (FY 2022: EUR 13,700 million) and EBIT amounted to EUR 10,100 (FY 2022: EUR 9,000 million).

The EAT in the 2023 financial year of EUR 2.903 million (FY 2022: EUR 388 million) increased significantly again, as expected in last year's rating. EAT in 2022, which was still significantly impacted by high non-operating expenses, was no longer incurred to the same extent by non-operating-expenses in the 2023 financial year. In this respect, the result in the past financial year has once again improved significantly compared to 2022. On the other hand, other non-recurring items amounted to a negative EUR 4,945 million at December 31, 2023 and include the EUR -4,750 million impact of the revision of nuclear provisions to take account of the agreement reached with the Belgian government on June 29, 2023, which became binding following the signature of the supplements to the initial agreements on July 21, 2023 and whose implementation was specified in the transaction documents signed on December 13, 2023.

The following table shows Engie's business situation in the 2023 fiscal year using selected key figures:

Table 1: Financials I Source: Engie S.A. Annual Report 2023, standardized by CRA

Engie S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, Group)	CRA standardized figures <sup>2</sup>	
	2022	2023
Sales (million EUR)	93,865	82,565
EBITDA (million EUR)	10,405	11,863
EBIT (million EUR)	5,062	6,774
EAT (million EUR)	388	2.903
EAT after transfer (million EUR)	215	2,208
Total assets (million EUR)	212,414	175,918
Equity ratio (%)	10.65	12.87
Capital lock-up period (days)	152.30	98.09
Short-term capital lock-up (%)	52.13	43.67
Net total debt / EBITDA adj. (factor)	18.14	8.37
Ratio of interest expenses to total debt (%)	1.93	2.17
Return on Investment (%)	1.58	2.87

Fair value adjustments of derivative instruments and margin deposits caused an immense balance sheet extension in the year 2022, deteriorating CRA's financial key figures equity ratio and net total debt / EBITDA adj. (see the figures in table 1). The margin deposits are expected to be

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

returned to Engie in 2023 and 2024 when the underlying positions go into delivery, or when prices normalize. This was already confirmed in 2023.

Despite the Group's extraordinary performance, benefitting in part from the current market conditions, Engie faces a range of uncertainties which could have a negative impact on its business as a result of the war in Ukraine. To cover its energy needs, the Company has started a range of initiatives, especially through contracts and new supply sources such as LNG. Engie has been able to withstand significant disruptions in Russian gas flows with no impact on physical supply, thus furthermore playing a leading role in supporting security of supply in Europe. The new sources, including LNG, should also reduce the dependence on Russia's gas in the future. The Group has a strong financial headroom, to counter the extreme volatility in the energy commodities market, even if volatilities have fallen again.

Overall, the Group displays satisfactory development aided by strong market dynamics, but which also causes significant adjustments related to its financial instruments and margin requirements, which in turn temporarily affects the Group's financial statements. However, the Company has sufficient liquidity headroom, and its excellent capital market access will serve to mitigate these temporary effects.

Based on the Q1 figures for 2024, Engie confirmed his guidance for the financial year 2024 with a range of EUR 7.5 bn to EUR 8.5 bn for EBIT (excl. Nuclear Belgium) and EUR 4.2 bn to EUR 4.8 bn for EBT (excl. Nuclear Belgium). Further increases in earnings (EBIT) are expected in 2025 and 2026.

## Further ratings

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

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

The issues have been issued under the EMTN programme, with the last basis prospectus of 7 June 2024.

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

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

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Engie S.A.	02.07.2024	<b>BBB+ / stable / L3</b>
Long-term Local Currency (LC) Senior Unsecured Issues issued by Engie S.A.	02.07.2024	<b>BBB+ / stable</b>
Other	--	<b>n.r.</b>

## Appendix

### Rating history

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

Table 3: Corporate issuer rating of Engie S.A. | Source: CRA

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

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

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

### Regulatory requirements

The rating<sup>3</sup> was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

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

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

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

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

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

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

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

Rating methodology	Version number	Date
<a href="#">Corporate Ratings</a>	2.4	July 2022
<a href="#">Corporate Short-Term Ratings</a>	1.0	June 2023
<a href="#">Government-related Companies</a>	1.1	May 2023
<a href="#">Non-financial Corporate Issue Ratings</a>	2.0	March 2024
<a href="#">Rating Criteria and Definitions</a>	1.3	January 2018

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

<sup>3</sup> In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating was carried out by the following analysts:

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

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

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

On 1 July 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 2 July 2024. There has not been a subsequent change to the rating.

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

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

### ESG-factors

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

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

### Conflict of interests

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

Creditreform Rating AG guarantees that the provision of ancillary services does not cause a conflict of interest with its rating activities and discloses in the final rating report which ancillary services were provided for the rating object or for third parties associated with it. The following ancillary services were provided for this rating object or for related third parties:

No ancillary services in the regulatory sense were provided for this rating.

The final list of rating-related and credit services can be viewed on the Creditreform Rating AG's [website](#).



#### Rules on the presentation of credit ratings and rating outlooks

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

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

##### Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

##### Corporate issue rating:

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

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

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

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

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

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

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

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

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on

its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

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

### Disclaimer

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