

Rating object	Rating information	
<p>Long-Term Local Currency Senior Unsecured Issues</p> <p>Type of issues: Long-term local currency senior unsecured issues Home Market: Euronext Paris Issuer: Engie S.A. Guarantor: --</p>	<p>Corporate Issuer Rating: A- / negative</p> <p>LT LC Senior Unsecured Issues: A-</p> <p>Rating Date: 28 September 2018 Monitoring until: withdrawal of the rating Publication Date: 8 October 2018 Rating methodology: CRA „Corporate Issue Ratings“ Rating history: www.creditreform-rating.de</p>	<p>Type: Initial rating Unsolicited</p> <p>Other: n.r.</p>

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Transaction summary

Object of this rating are the long-term (“LT”) local currency (“LC”) senior unsecured issues (“Notes”) issued by Engie S.A. (“Engie”). The Notes have been issued within the framework of a Euro Medium Term Note Programme (“EMTN Programme”), of which the latest base prospectus dated 16 October 2017 (and its supplements). The Notes are unsecured and are issued in Series from time to time with different interest payments and maturities. The issues proceeds are used to finance general corporate purposes of the issuer, unless otherwise specified in the final terms of each Note.

The rating of A- represents a high level of credit quality with a low investment risk.

In accordance with CRA methods, this unsolicited corporate issue rating is derived from Engie S.A.’s unsolicited corporate issuer rating, which was first prepared on 30 December 2016 (initial rating), monitored and updated on 24 April 2017 and 20 June 2018. Information about the current unsolicited corporate issuer rating of Engie S.A. and its rating report are available on the website of Creditreform Rating AG.

Issue rating details

Issuer

Engie S.A. (Group) was created in 1946 with EPIC status and was transformed in an S.A. in 2004. The Group is a result of the merger in 2008 of SUEZ and Gaz de France (GDF Suez). The new name of the Group, Engie, was adopted on July 2015. The Group buys, produces and sells natural gas and electricity; transports, stores, distributes, develops and operates large gas infrastructures; and provides energy services. Engie operates in 70 countries, is the first importer of liquefied gas in Europe and the first independent power producer in the world with 102.7GW installed capacity. Engie employed 155,000 people in 2017 and is listed on the Euronext Paris and Euronext Brussels (ENGI – FR0010208488).

The French government owns 24.10% of the shares of Engie and 35.16% of the voting rights (as of 31 August 2018). We consider the company as government-related. Any change in the expected extraordinary support of the French government or any change related to the sovereign rating of the French Republic (CRA Rating as of 28.05.2018: AA / stable) could have an impact on Engie’s unsolicited corporate issuer rating. Within the framework of the law “Pacte” (*Plan d’action pour la croissance et la transformation des entreprises*) announced by the French government, it is very probable that the French government intends to sell (partly or completely) its shares in Engie S.A. from 2019 onwards. Based on our rating methodology for government-related companies, we expect a lower willingness from the French government to give extraordinary support to the company in the

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event of financial needs. Therefore, the unsolicited corporate issuer rating of Engie S.A. has been adjusted on 20 June 2018 by Creditreform Rating to A- with negative outlook from A- stable outlook.

In 2016, the Group decided a strategic repositioning in order to redesign and simplify the activities portfolio, improve efficiency as well as focus on technical innovation and digitalization. Within this framework, the aims of Engie are the reduction of CO2 emissions and of the exposure of the Group to commodities prices as well as the ability to propose integrated solutions to its clients. The coal activities will be completely stopped, the upstream LNG activities will be divested, the participation into Exploration and Production will be sold and the Group will invest into the development of renewable hydrogen. The transformation plan foresees a rotation of its portfolio of EUR 15 bn over the period 2016-2018 and an investment plan of EUR 14.3 bn.

In 2017, the part of the regulated and contracted activities increased up to 89% of Engie's EBITDA from 75% in 2016. Furthermore, Engie realized a rotation in its portfolio of approx. EUR 13.2 bn. The efficiency measures have brought recurring reductions on operating costs of EUR 0.9 bn in 2017 (EUR 1.3 bn expected by 2018).

In 2017, Engie's revenues amounted to EUR 65.0 bn, which represents a decline in revenues of -2.5% in comparison with 2016 (EUR 66.6 bn). Taking into account the restated figures 2016 with the classification of Engie E&P International under discontinued operations, revenues grew by 0.3% (1.7% on an organic basis). With an adj. EBITDA amounting to EUR 7.7 bn and an EBIT of EUR 4.0 bn, the company recorded a net profit of EUR 1.4 bn in 2017.

As of 31 December 2017, the financial debt amounted to EUR 32.4 bn, mostly comprised of bond issues within the framework of its EMTN Program of EUR 25 bn. The liquidity is adequate with cash and cash equivalents of EUR 8.9 bn, covering 109% of short-term borrowings. The Group disposes of confirmed credit lines of EUR 13.4 bn, available for 90% as of 31 December 2017. The net debt / EBITDA adj. ratio is high at 10.2x, but net financial debt / EBITDA non-adj. is 2.3x. The company made net investments of EUR 4.2 bn in 2017.

The following table shows some key financials of Engie for the last 2 years.

Table 1: Financials of Engie | Source: Engie annual report 2017, standardized by CRA

Financial ratios´ extract Basis: consolidated annual statement per 31.12 (IFRS)	CRA standardized figures	
	2016 (non restated)	2017
Revenues	EUR 66,639 million	EUR 65,029 million
EBITDA adj.	EUR 6,085 million	EUR 7,699 million
EBIT	EUR 1,216 million	EUR 3,963 million
EAT	EUR -415 million	EUR 1,423 million
Total assets adj.	EUR 149,700 million	EUR 141,802 million
Equity ratio adj.	29.0 %	27.7 %
Capital lock-up period	89.4 days	89.9 days
Short-term capital lock-up	57.8 %	54.5 %
Return on investment	1.0 %	2.5 %
Net debt / EBITDA	9.3x	10.2x
Ratio of interest expenses to debt	2.1 %	2.1 %

We expect a stable development of the company in 2018 as Engie increased its revenues as of 30 June 2018 by 0.1% in comparison with the first half-year 2017 (organic +0.8%) and lowered its net debt by EUR 2.0 bn to 20.5 bn. The group has set following financial objectives for 2018: recurring net result between EUR 2.45 bn and EUR 2.65 bn, net financial debt / EBITDA inferior at 2.5x and dividend of EUR 0.75 per share. The impact of recent developments in the nuclear plants in Belgium on the operational result of Engie remains to be seen.

Regarding the general structural risks, business risks and financial risks as well as the outlook of the issuer, we refer to the report on the unsolicited corporate issuer rating of Engie S.A. as of 30 December 2016 and updated on 24 April 2017 and 20 June 2018 (currently A- / negative) and the information published by the Group since then. The specifics of the company are described in detail in the rating report, which can be found on the website of CRA. As mentioned above, the rating is monitored on an ongoing basis.

Rating object

The rating objects considered here are exclusively the long-term senior unsecured issues, issued by Engie S.A., which are denominated in EUR and which are included in the list of ECB-eligible marketable assets. This ECB list of eligible marketable assets is updated daily from Monday to Friday by the European Central Bank and can be found on its website.

The Notes have been within the framework of the EMTN Programme, of which the latest base prospectus dated 16 October 2017. The current EMTN Programme amounts to maximum EUR 25 bn. The Notes issued under the EMTN Programme benefit from a negative pledge provision and cross-acceleration mechanism.

Rating result

We assign a rating of A- to the long-term local currency senior unsecured debt securities issued by Engie S.A. The rating derives from the unsolicited corporate issuer rating.

The following tables gives overviews of the ratings attributed by CRA as well as of the current EMTN Programme.

Table 2: Summary of CRA ratings | Source: CRA

Rating objects	Detail information	
	Date	Rating
Engie S.A.	20.06.2018	A- / negative
Long-term LC senior unsecured issues of Engie S.A.	10.09.2018	A-
Sovereign Rating French Republic	28.05.2018	AA / stable
Other	--	n.r.

Table 3: Overview of 2017 EMTN Programme | Source: Engie S.A. prospectus dated 16 October 2017

Overview 2018 EMTN Programme			
Programme Volume	EUR 25,000,000,000	Maturity	Depending on the respective Notes
Issuer	Engie S.A.	Coupon	Depending on the respective Notes
Arranger	Deutsche Bank	Currency	Depending on the respective Notes
Credit Enhancement	--	ISIN	Depending on the respective Notes

At the time of the rating, the following EUR-Notes are rated by Creditreform Rating AG:

Table 4: Unsolicited ratings of Engie's long-term LC senior unsecured issues | Source: Engie

ISIN	EUR	Issue date	Maturity	Unsolicited rating
FR0011131846	150,000,000	17.10.2011	17.10.2018	A-
FR0010678185	775,433,000	24.10.2008	24.01.2019	A-
FR0011147305	423,600,000	21.11.2011	21.01.2020	A-

FR0011464171	200,000,000	16.04.2013	16.04.2020	A-
FR0011911239	1,200,000,000	13.05.2014	19.05.2020	A-
FR0010709451	899,565,000	16.01.2009	18.01.2021	A-
FR0012602753	750,000,000	13.03.2015	13.03.2022	A-
FR0011289230	410,113,000	11.07.2012	20.07.2022	A-
FR0010952770	692,936,000	18.10.2010	18.10.2022	A-
FR0011261924	742,451,000	01.06.2012	01.02.2023	A-
FR0013284247	500,000,000	28.09.2017	28.02.2023	A-
FR0013245859	700,000,000	27.03.2017	27.03.2024	A-
FR0012602761	750,000,000	13.03.2015	13.03.2026	A-
FR0011911247	1,300,000,000	19.05.2014	19.05.2026	A-
FR0013347465	50,000,000	05.07.2018	05.07.2027	A-
FR0012990984	100,000,000	01.10.2015	01.10.2027	A-
FR0013245867	800,000,000	27.03.2017	27.03.2028	A-
FR0013344686	750,000,000	22.06.2018	22.06.2028	A-
FR0013284254	750,000,000	28.09.2017	28.02.2029	A-
FR0013260767	100,000,000	07.06.2017	07.06.2032	A-
FR0012602779	500,000,000	13.03.2015	13.03.2035	A-
FR0013284270	850,000,000	28.09.2017	28.09.2037	A-
FR0013056157	150,000,000	20.11.2015	20.11.2045	A-
FR0011022474	300,000,000	16.03.2011	16.03.2111	A-

All future LT LC senior unsecured Notes that will be issued by Engie S.A. under the current EMTN Programme, denominated in euro and be included in the list of ECB-eligible marketable assets, will, until further notice, receive the same ratings than the current LT LC senior unsecured Notes issued under the EMTN Programme.

Notes issued under the Programme in another currency than euro or other types of debt instruments (i.e. deeply subordinated notes) have not been rated by CRA so far. The current ratings and other information about the issuer and / or its issues can be found on the website of Creditreform Rating AG.

Best-case scenario: A
 Worst-case scenario: BBB+

Best-case scenario

In our best-case scenario for one year, we assume a rating of A. As the rating of the debt securities is linked to the rating of the issuer, we refer to the rating update on the unsolicited corporate issuer rating of Engie S.A. as of 20 June 2018 (A- / negative).

Worst-case scenario

In our worst-case scenario for one year, we assume a rating of BBB+. As the rating of the debt securities is linked to the rating of the issuer, we refer to the rating update on the unsolicited corporate issuer rating of Engie S.A. as of 20 June 2018 (A- / negative).

Note:

The scenarios are based on the information available at the time of the rating. Within the forecast horizon, some circumstances could occur that would lead to a rating change out of the indicated range.

Appendix

Rating history

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

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	30.12.2016	09.01.2017	Withdrawal of the rating	A- / stable
Monitoring	24.04.2017	25.04.2017	Withdrawal of the rating	A- / stable
Monitoring	20.06.2018	22.06.2018	Withdrawal of the rating	A- / negative

Table 6: LT LC senior unsecured issues issued by Engie S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period until	Result
Initial rating	28.09.2018	08.10.2018	Withdrawal of the rating	A-

Regulatory and legal disclosures

The present rating is an unsolicited rating. Creditreform Rating AG was not commissioned by the issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The quantitative analysis is primarily based on the last annual report of the issuer, the base prospectuses and on press releases of the company. The information and documents meet the requirements and are in accordance with the published Creditreform Rating AG's rating methodology.

The rating was conducted on the basis of Creditreform Rating's "Corporate Issue Ratings" methodology. A complete description of Creditreform Rating's rating methodologies is published on the following internet page: www.creditreform-rating.de.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodology. A complete description of Creditreform Rating's rating methodologies and Creditreform's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Marie Watelet (m.watelet@creditreform-rating.de) and Rudger van Mook (r.vanmook@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

The rating was presented to the rating committee on 28 September 2018. The company examined the rating report prior to publication and was given at least one full working day to appeal the rating committee's decision and to provide additional information. The rating decision was not amended following this examination.

The rating will be monitored until CRA removes the rating and sets it to non-rated (n.r.).

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

Please note:

This report exists in an English version only. This is the only binding version.

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To prepare this credit rating, CRA 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

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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 'Basic Data' information card.

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