Creditreform Corporate Issuer / Issue Rating

Enel S.p.A.

Creditreform Rating

Rating object	Rating information	
Enel S.p.A.	Corporate Issuer Rating: **BBB / stable**	Type: Update, Unsolicited, Public rating
Creditreform ID: 400980970 Incorporation: 1963 Based in: Rome Main (Industry): Electricity and gas CEO: Flavio Cattaneo	LT LC Senior Unsecured Issues: **BBB / stable**	Short-term rating: **L3**

Rating objects:
Long- and short-term Corporate Issuer Rating: Enel S.p.A.
Long-and short-term Corporate Issuer Rating: Enel Finance International N.V.
Long-term Local Currency (LT LC) Senior Unsecured Issues, issued by Enel S.p.A.
Long-Term Local Currency (LT LC) Senior Unsecured Issues, issued by Enel Finance International N.V.

Rating date:	13 October 2023
Monitoring until:	withdrawal of the rating
Rating methodology:	CRA “Corporate Ratings“ CRA “Non-Financial Corporate Issue Ratings“ CRA “Corporate Short-Term Ratings“ CRA “Government Related Companies“ CRA “Rating Criteria and Definitions“
Rating history:	www.creditreform-rating.de

Content

Summary

Company

Enel S.p.A. –hereafter also referred to as “Enel”, or “the Group”, headquartered in Rome, was founded in 1962 after the fusion of several smaller, regionally-operating companies. In 1999, following the liberalization of the electricity market in Italy, Enel was privatized. Today Enel is an Italian multinational energy company, 24% of which is owned by the Italian government. Its integrated business model includes energy generation (hydro, wind, solar, geothermal, nuclear, conventional energy), transmission and distribution. The Group is also active in the distribution of natural gas as well as EV charging infrastructure and different energy solutions.

As of the end of 2022, the Enel Group had global operations with 2 million kilometers of grid network across Latin America and Europe, and approximately 59 GW of installed renewable capacity with a presence in more than 47 countries and more than 65,000 employees. The Group’s current strategic plan emphasizes the acceleration of clean electrification, i.e. acceleration in investment in the Group’s renewable generation capacity, an increase in the degree of fixed power sales from CO_2-free sources, as well as digitalization of its electricity grid. Enel is currently strategically repositioning itself and will, after 2025, predominantly focus on the six core countries; Brazil, Chile, Colombia, Italy, Spain and the United States.

Rating result

The current unsolicited corporate issuer rating of Enel S.p.A. attests a good level of creditworthiness, representing a low to medium default risk. Positive factors contributing to the rating result are the Group’s strong position in its relevant geographical markets, its high level of diversification as well as the relatively high degree of regulated activities. This is partially offset by Enel’s deteriorating leverage, following an increasing balance sheet and declining equity driven by the Group’s investment program, as well as high dividend distributions. The Group’s investment program has led to significant increases in indebtedness. With the current strategic repositioning and planned divestments of EUR 21 billion in total, the Group is expected to improve its credit metrics. Additionally, the Group will withdraw from several markets and focus on six core countries. This will reduce the its geographical footprint, but we believe that, on average, this will reduce the Group’s country risk, as 80% of its future EBITDA is expected to be generated within the United States and European markets, with a focus on Iberia and Italy.

Analysts

Rudger van Mook
Lead Analyst
R.vanMook@creditreform-rating.de

Sabrina Mascher de Lima
Co-Analyst
S.Mascher@creditreform-rating.de

Neuss, Germany

We continue to see the high cash-outflows the Group is currently generating in relation to the Group's investment program of EUR 37 billion, and the planned increase in fixed DPS from EUR 0.40 to EUR 0.43, as critical, and we believe this will continue to strain the Group's financials and further limit the Group's ability to deleverage.

As a result out of the shareholder structure, as well as due to scope of the Group's activities in Italy, we maintain that the Group is moderately dependent on the country's overall economic development. We have therefore determined the unsolicited sovereign rating of the Italian Republic (CRA: BBB- / stable as of 17.01.2023) to be a potentially constraining factor, as the corporate issuer rating of Enel S.p.A. may not exceed the sovereign rating of the Italian republic by more than three notches.

Outlook

The one-year outlook for the unsolicited corporate issuer rating is stable. This assessment is based on the reduced volatility on global energy markets, the Group's strong performance during the first half of 2023, and the Group's divestment program, which is proceeding according to plan, and which will reduce net debt and lead to improved liquidity.

Relevant rating factors

Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations from the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used are specified in the sections "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

Excerpts from the financial key figures analysis 2022:

+ Revenue
+ EBITDA, EBIT
+ Net total debt / EBITDA adj.

- EAT
- Equity ratio

Table 1: Financials I Source: Enel S.p.A. Annual Report 2022, standardized by CRA

Enel S.p.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, etc.)	CRA standardized figures[1]	
	2021	2022
Sales (million EUR)	81,900	135,653
EBITDA (million EUR)	14,820	16,505
EBIT (million EUR)	9,231	10,421
EAT (million EUR)	3,857	2,920
EAT after transfer (million EUR)	3,189	1,682
Total assets (million EUR)	190,622	204,785
Equity ratio (%)	19.20	18.48
Capital lock-up period (days)	75.58	47.47
Short-term capital lock-up (%)	63.64	37.99
Net total debt / EBITDA adj. (Factor)	10.23	8.67
Ratio of interest expenses to total debt (%)	2.30	2.22
Return on investment (%)	2.76	2.68

General rating factors

General rating factors summarize the key issues which – according to the analysts as of the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

+ Leader in the main areas of the energy transition
+ Largest electricity supplier in Italy, with global presence
+ Lower sensitivity to economic cycles
+ Good access to financial markets
+ Generally stable, significant cash flows from operational activities
+ High entry barriers

[1] 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 considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

+ Broadly-based, partly sustainable and innovative product portfolio

– Significant investment necessary to maintain the leading market position
– High concentration on the Italian and Iberian market
– Relatively high country risk

Current rating factors are the key factors which, in addition to the underlying rating factors, have an impact on the current rating.

Current rating factors

+ Higher operating profit in comparison to the prior year
+ Reduction in net debt expected due to divestments program
+ Divestment program progressing according to plan

– Substantial investments and dividend distributions continue to strain cash-flows
– Fixed dividend per share will increase to EUR 0.43, limiting financial flexibility
– Shortfall in hydro-generation following droughts in 2022
– High liquidity needs due to margining requirements

Prospective rating factors are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+), or a weakening or negative effect (-) on future ratings if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

Prospective rating factors

+ Capacity extension of renewable energies (further growth driver) with focus on markets with integrated presence and on developed countries
+ Operational efficiency due to digitalization
+ Growth due to asset development, customer and asset management
+ Improved financial indicators after completion of the strategic plan
+ Further simplification of the corporate structure
+ Further reduction in CO2 emissions

– Higher investments
– Deterioration of creditworthiness of sovereign rating (Italy)
– Legislative changes which may adversely impact the Group's economic and financial position or the ownership structure
– Insufficient action related to megatrends and environmental protection measures
– Increased competition in renewable energies and innovation of digital assets
– Deterioration of financial indicators due to stagnating economy and/or increased indebtedness
– Economic and geopolitical risks, both in Europe as well as globally

ESG factors are factors related to environment, social issues and governance. For more information, please see the section "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-factors

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

Enel has a clear goal with regard to the decarbonization of its business model. The acceleration of its investment plan with regard to decarbonization and electrification is needed to ensure alignment with the Paris agreement (COP 21) to limit the average increase in global temperatures to 1.5°C, and will enable the Group to achieve zero emissions by 2040.

Its decarbonization roadmap has progressed over recent years, and Enel targets having 100% renewable generation by 2040, exiting coal-fired generation by 2027 and gas fired generation by 2040. Furthermore, the Group aims to exit gas retail by 2040. At the end of 2022, Enel's renewable capacity reached 59 GW. With the current 2023–2025 strategy, Enel plans to add approximately 21 GW of additional renewable capacity and reduce the existing conventional capacity by approximately 13%. This will bring the Group's renewable net generation to 70% (2022: 49.4%) in 2025, and will reduce scope 1 emissions from generation to 130/KWh (2022: 229/KWh). By 2030, the Group aims to have realized a reduction by 80% of GHG scope 1 emissions intensity related to power generation in comparison to 2017, a 78% reduction of GHG scope 1 and 3 emissions intensity related to Integrated Power compared to 2017, and a 55% reduction of absolute GHG scope 3 emissions related to Gas Retail, also compared to 2017.

Enel has made meaningful advances in ESG over recent years, and transformation will likely continue with the ongoing strategy. During the business year 2022, the Group added 5.2 GW of new renewable capacity, and plans to add approximately 5.5 GW in 2023. Its RES capacity was increased to 59% (2021: 45.8%). In November 2023, the Group will update its current strategy.

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.

Best-case scenario: BBB

In our best-case scenario for one year we assume a rating of BBB. Despite our expectation that credit metrics will improve based on current divestments, we believe that the investment program and the anticipated fixed dividend per share of EUR 0.43 will continue to strain cash-flows and financial flexibility, preventing an upgrade in the short-term.

Please note:

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

Worst-case scenario: BBB-

In our worst-case scenario for one year, we assume a rating of BBB-. This could be the case if the Group's operating results deteriorate and the divestment program does not progress successfully, leading to a further significant increase in indebtedness due to negative cash-flow generation.

Business development and outlook

Driven by a highly volatile energy market and continuing high commodity prices, the Group has shown significant increases in revenue over recent years. The business year 2022 again recorded a significant increase in revenue to EUR 135,653 million (2021: EUR 81,900 million), and was also predominantly driven by higher energy prices, particularly in Italy and Iberia. EBITDA and operating profit rose in comparison to the prior year due to an improved margin in thermal generation and trading, as well as increased operating profit in Enel Grids, driven by rate adjustments in Latin America and favorable exchange rate developments. The growth was partially offset by significantly lower hydro output caused by poor water conditions in Italy and Iberia, which in turn led to the situation where, in order to fulfil contractual obligations, replacement volumes on the spot markets had to be sourced against higher prices.

Several non-recurring effects affected business performance. Adjusted by these factors, EBITDA stood at EUR 19,683 million (2021: EUR 19,210 million) and EAT stood at EUR 2,920 million (2021: EUR 3,857 million). Taxes were significantly higher, and there was a significant loss from discontinued operations of EUR -2,298 million (2021: EUR 99 million) following the sale of the participation of 56.42% of PJSC Enel Russia, Enel Romania and some other entities.

Operating cash flow during the 2022 business year amounted to EUR 8,674 million (2021: EUR 9,915 million), and predominantly decreased in comparison to the prior year due to working capital changes. Cash flow after investments stood at EUR -4,952 million (2021: EUR -960 million) and was largely driven by the Group's capital expenditure of EUR 14,347 million, as well as the acquisition of ERG Hydro for EUR 1,196 million, and was partially offset by the disposal of several participations for EUR 2,032 million in total. The negative cash flow after investments, as well as the dividend payments of EUR 5,024 million, led to a rise in financial indebtedness to EUR 89,418 million (2021: EUR 71,969 million) against the prior year. Adverse exchange rate trends in the amount of EUR 1,054 million also caused indebtedness to increase significantly.

The first half of 2023 showed a clear reduction in revenues, mainly due to the lower market prices for energy, but also reflecting lower quantities of electricity generated. During the first half of 2023, Enel generated revenues of EUR 47,095 million (H1 2022: EUR 65,630 million). Reported EBITDA and reported EBIT both increased significantly against the prior year to EUR 9,676 million (H1 2022: EUR 8,203 million) and EUR 6,125 million (H1 2022: EUR 4,523 million) respectively. The higher operating profit was predominantly driven by the segment End-User Markets, following a recovery in margins on the free market in Italy and Spain, driven by the reduction in provisioning costs within a climate of normalization of sales prices. Adjusted by non-recurring items, the EBITDA would have been higher, as the Group reported a loss from the sale of subsidiaries in total of EUR -367 million, the extraordinary solidarity levies in Spain of EUR -208 million and the reclassification of assets as discontinued operations. Adjusted by these factors, EBITDA would be EUR 10,739 million. The net income for the Group stood at EUR 2,513 million (H1 2022: EUR 1,692 million), but also would have been significantly higher if adjusted by non-recurring items.

Cash flows from operations increased significantly to EUR 4,942 million (H1 2022: 767 million) in the first half of 2023, largely due to lower cash outflows in relation to working capital. Capital expenditure during the first half of 2023 amounted to EUR 6,042 million, and cash outflows relating to investments in PP&E, intangibles and non-current contracts were EUR 6,424 million. This resulted in a negative cash flow after investments of EUR -1,255 million (H1 2022: EUR -6,068 million). Additionally, cash outflows in relation to dividends amounted to EUR 2,329 million (H1 2022: EUR 2,384 million), further leading to an increase in indebtedness in H1 2023.

The Group's disposal plan is on track, and is expected to reduce ordinary EBITDA by approximately EUR 1.3 billion and EAT by approximately EUR 400 million for the full year 2023. Despite planned disposals, the Group's outlook for 2023 was confirmed. Enel expects to reach its ordinary EBITDA between EUR 20.4 and 21.0 billion and net ordinary income between EUR 6.1 and 6.3 billion. Furthermore, as the planned divestitures are on track, the Group still expects to realize a significant reduction of net debt to EUR 51- 52 billion at the end of the year. This will most likely result in an improvement in the Group's credit metrics.

Structural risk

Enel S.p.A. is the parent company of the Enel Group and holds the Group's participations that offer the operating activities of the Enel Group. Enel S.p.A. offers several Group functions (such as Administration, Finance and Control, HR, Legal, Corporate affairs etc.) to support the Group, and to manage its governance, strategic and financial direction, planning processes, as well as consolidating the scenario analysis. Further supporting functions to the Group's organizational structure are the global service functions (predominantly procurement and IT), which manage the information and communication technology activities at the Group level.

The operating activities of the Group are executed by the Group's subsidiaries and further participations, which comprise part of the organizational structure, which is organized into a matrix that comprises the global business lines on the one hand, and the country and regions on the other. The global business lines consist of five business lines; Thermal, Trading, Enel Green Power, Infrastructure and Networks and Enel X, and are responsible for the management, development, optimization of performance and return of the Group's operating assets.

The countries and regional lines are responsible for establishing and maintaining relations with institutional bodies and regulatory authorities, the sale of gas and electricity in the countries in which the Group operates, providing staff and other service support to the business lines, as well as promoting decarbonization and guiding the energy transition. The countries and regional lines are divided into Italy, the Iberian Peninsula, Europe, Africa Asia and Oceania, North America, and Latin America. It is noteworthy that the business lines are the primary segment and the countries and regional lines are the secondary segment in terms of influencing the analysis carried out, and decisions made by, the management of the Enel Group.

The corporate governance structures of the Group are well-defined and are in compliance with the Italian corporate governance code. The Enel Group has separated the decision-making authorities, and installed predominantly independent members. At the head of the corporate governance structure is the (ordinary) shareholders' meeting, which is tasked with appointing the members of the board of directors and the members of the board of statutory auditors, and as well as other tasks over which the board of directors needs approval or does not have the authority to determine. The board of directors consists out of 9 members and was appointed by the shareholders' meeting in May 2023 for a term of three financial years and predominantly consists of independent members. The board plays a central role in the Group's corporate governance and is responsible for the examination, approval of the Group's corporate strategy, the nature and level of risk compatible with the strategic objectives, and determining the remuneration policy for the directors, statutory auditors, key management personnel, and more. The Board of Directors is supported by several committees that assist in the assessment and decision-making activities for the Group. These committees also consist mainly of independent members in order to ensure objective decision-making. The CEO, and the management of the Company in turn, are responsible for the implementation of the corporate strategy and its objectives.

The largest shareholder of the Group is the Italian Ministry of Economy and Finance, with 23.6% as of the end of 2022. The other shareholders are considerably smaller. As a result of the shareholder structure, as well as due to the Group's activities in Italy, we maintain that Enel is moderately dependent on the country's overall economic development. We have therefore determined the unsolicited sovereign rating of the Italian Republic (CRA: BBB- / stable as of 17.01.2023) to be a potentially constraining factor, as the corporate issuer rating of Enel S.p.A. may not exceed the sovereign rating of the Italian republic by more than three notches.

In our opinion, the structural risk profile of the Enel Group is low. The Group's corporate governance structures are well-defined and in line with the Italian governance code and international best practices. The sovereign rating could become a constraining factor, but with the current sovereign rating of the Italian republic this does not currently pose an issue. We have not identified any other issues that could be of risk to the Group.

Business risk

For the period 2023 -2025, the strategic priorities are centered around the acceleration of clean electrification, the strategic repositioning of business, geographical areas, and financial growth and robustness. The acceleration of clean electrification will focus mainly on adding approximately 21 GW in installed renewables, increasing the share of electricity volumes sold on fixed price contracts to 80% (2022: 75%), of which 90% (2022: 70%) are to be covered by CO_2 free sources, and on implementing grid digitalization, enhancement and development to enable the transition. This reduces the Group's price exposure and the dependence on raw material imports.

Additionally, the Group intends to realign its corporate structure, which will involve a divestment program of non-core assets of approximately EUR 21 billion. This will aid the Group in streamlining its corporate structure by exiting businesses and locations that are less suitable for the Group's strategic direction, and by focusing on its core countries of Italy, Spain, United States, Brazil, Chile and Colombia, and will aid in helping to improve credit metrics. The Group plans to prioritize countries focusing on the acceleration of the energy transition. We consider Enel's core countries to be relatively stable and, for the most part, to decrease country risk, but we point out that this will decrease the rate of diversification for the Group and will increase exposure to the European and US energy markets, as 80% of future EBITDA will be generated in the US and Europe. For countries not designated as core countries, Enel maintains the stewardship model, in which the Group invests in joint-ventures, PPAs and the acquisition of non-controlling interests that offer profitable prospects in non-core countries. The Group aims to raise EUR 15 billion in capital for these participations, of which it plans to invest EUR 2.4 billion itself during the period 2023–2025.

The cash inflow resulting from divestitures will significantly help to reduce the Group's net debt and will improve overall financial health. The divestitures will lead to reduced revenues and operating profit, with an expected negative effect on ordinary EBITDA of EUR 2.8 billion and approximately EUR 900 on ordinary net profit. As of H1 2023, divestments of approximately EUR 12 billion have already been closed or announced, of which approximately EUR 5 billion are still to be cashed in. Another EUR 4 billion in assets were in advanced negotiations at the time. With the disposal of these assets, the Group intends to focus on its core countries.

Enel plans to invest approximately EUR 37 billion during this period, of which approximately 40% in generation and 10% in advanced energy customers and services, together referred to as the integrated commercial strategy. The residual 40% of investments will predominantly be invested in grids. Approximately 85% of these investments are expected to be allocated to Italy, Spain and the United states. The investments will, despite the divestitures of non-core assets, most likely lead to an increase in operating profit and net results. At the end of 2025, Enel expects ordinary EBITDA to reach between EUR 22.2–22.8 billion (2022: EUR 19.7 billion), and ordinary EAT to reach between EUR 7.0–7.2 billion (2022: EUR 5.4 billion). The reduction in net debt and increases in operating results will then lead to improved credit metrics. We do, however, view the increase in the guaranteed dividend per share to EUR 0.43 from 0.40 as critical, as it will lead to higher cash outflows and continue to put pressure on cash-flows.

We view the Group's business risk profile as low to intermediate. With the current plan in place, the Group will significantly reduce its price exposure to short-term volatility on the energy markets with the increase in fixed price contracts, and will, with the planned increase in renewable capacity, also be less dependent on the import of conventional energy commodities. Additionally, by exiting geographical locations that are not in line with its strategy, the Group will focus on markets with stable regulatory frameworks and countries that focus on the acceleration of the energy transition. It is worth noting that the Group will update its strategy in November 2023 at the capital market day.

Financial risk

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from equity only by 50%, suggesting a certain recoverability of goodwill. The following descriptions and indicators are based primarily on these adjustments.

Driven by volatility on the energy markets as well as due to an extensive investment program, Enel's balance sheet has grown significantly over the past years. In particular, high commodity prices have resulted in significant increases in financial derivatives due to fair value changes, as well as increased liquidity needs to finance increased margin requirements. In 2022, this has again resulted in a significant balance sheet expansion to EUR 204,785 million (2021: EUR 190,622 million).

At the basis of the Group's financial profile is its adjusted equity of EUR 37,854 million (2021: EUR 36,608 million), which translates into an equity ratio of 18.48% (2021: EUR 19.20%). Over recent years, the Group's equity ratio has deteriorated considerably. This is partly attributable to the rapid balance sheet growth Enel has experienced over recent years, but also due to the aggressive dividend policy, both of which have led to a declining equity ratio. We see it as a negative factor that Enel has distributed higher dividends than the Group's OCI over recent years. Issuances of several hybrid bonds have prevented a further decline in the equity ratio. With energy markets stabilizing, and the Group's plan to divest non-core assets, we believe that leverage will improve over the coming years.

As of the end of 2022 the Group's net debt stood at EUR 60,068 million (2021: EUR 51,693 million). With the current strategic plan, Enel expects to reduce its net debt by disposing of approximately EUR 21 billion in non-core assets over the period 2022–2024, of which the largest part in 2023. Enel expects the disposals to reduce net debt to approximately EUR 51–52 billion. With the current strategic plan in place, the Group endeavors to de-risk its maturity portfolio by significantly reducing its average yearly refinancing of long-term debt to EUR 4.5 billion (previously: EUR 13.1 billion).

The strategic plan, driven by the investment program, expects an increase in ordinary EBITDA for 2023 in a range of EUR 20.4 and EUR 21.0 billion, and net income between EUR 6.1 and EUR 6.3 billion. The reduction in net debt and increases in operating results will then lead to improved credit metrics. We do, however, have a critical view of the increase in the guaranteed dividend per share to EUR 0.43 (Previously EUR 0.40), which will lead to higher cash outflows from dividends and continue to put pressure on cash flows, as well as on equity. At the end of 2025, Enel expects ordinary EBITDA to reach between EUR 22.2 – 22.8 billion (2022: EUR 19.7 billion) and ordinary EAT to reach between EUR 7.0 – 7.2 billion (2022: EUR 5.4 billion).

The Group's liquidity as of 30 June 2023 was strong. The Group had EUR 6,104 million in cash and cash equivalents and EUR 19.5 billion committed credit facilities at its disposal. In comparison, for the remainder of 2023, EUR 1.1 billion of debt will mature, with EUR 10.3 billion in 2024. The maturity profile is well distributed and the Group is working, as part of their strategic plan, to de-risk their maturity profile by significantly lowering their average debt maturity of long-term debt.

Enel's financial risk profile is intermediate. The Group expects to increase its EBITDA generation by growing its asset base and strategically emphasizing on more attractive markets. The divestment program will also lead to a significant reduction in indebtedness. However, the ongoing cash-outflows in relation to the investments, as well as the dividend payments will continue to strain cash-flow retention.

Further ratings

In addition to the rating of Enel S.p.A., the following Issuer and its issues (see below), have been rated.

- Enel Finance International N.V.

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiary (direct 100% subsidiary of Enel S.p.A. and has been consolidated into the group annual accounts), we derive the unsolicited issuer ratings of this subsidiary from the unsolicited issuer rating of Enel S.p.A. and set it equal to its rating of BBB / stable.

Based on the long-term issuer rating, and taking into account our liquidity analysis, the short-term ratings of Enel S.p.A and the above-mentioned subsidiary were set at L3 (standard mapping), which corresponds to an exceptionally good liquidity assessment for one year.

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

Enel S.p.A. is guarantor of the group company listed above, and the issues that have been issued under the Euro Medium Term Note Program (EMTN), with the last base prospectus of 19 December 2022 and with the last amendment of 10 February 2023.

We have provided the long-term local currency senior unsecured notes issued by Enel S.p.A. and the above-mentioned subsidiary with an unsolicited rating of BBB / stable. The ratings are based on the corporate issuer ratings.

Long-term local currency senior unsecured notes issued by Enel S.p.A. and the above-mentioned subsidiary, which have similar conditions to the current EMTN program, 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 program. 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 I Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Enel S.p.A	13.10.2023	BBB / stable / L3
Enel Finance International N.V.	13.10.2023	BBB / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues issued by Enel S.p.A.	13.10.2023	BBB / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by Enel Finance International N.V.	13.10.2023	BBB / stable
Other	--	n.r.

All future LT LC senior unsecured Notes that will be issued by Enel S.pA. and Enel International Finance N.V. and that have similar conditions to the current EMTN program, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN program.

Notes issued under the program 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. For the time being, other emission classes or programs (such as the Commercial Paper Program) and issues that do not denominate in euro will not be assessed.

Financial ratio analysis

Table 3: Financial key ratios |Source: Enel S.p.A. annual report 2022, structured by CRA

Asset Structure	2019	2020	2021	2022
Fixed asset intensity (%)	69.01	69.74	58.13	56.17
Asset turnover	0.52	0.43	0.50	0.70
Asset coverage ratio (%)	73.09	66.62	66.32	68.10
Liquid funds to total assets (%)	5.79	3.98	4.69	5.43
Capital Structure				
Equity ratio (%)	26.62	25.33	19.20	18.48
Short-term-debt ratio (%)	25.75	27.78	40.46	37.10
Long-term-debt ratio (%)	23.81	21.13	19.35	19.77
Capital lock-up period (in days)	61.14	73.75	75.58	47.47
Trade-accounts-payable ratio (%)	8.26	8.57	8.90	8.61
Short-term capital lock-up (%)	27.84	36.73	63.64	37.99
Gearing	2.54	2.79	3.96	4.12
Leverage	3.61	3.85	4.57	5.31
Financial Stability				
Cash flow margin (%)	16.21	15.11	13.16	4.66
Cash flow ROI (%)	8.24	6.64	5.86	3.16
Total debt / EBITDA adj.	6.72	6.22	10.86	9.29
Net total debt / EBITDA adj.	6.19	5.89	10.23	8.67
ROCE (%)	12.33	13.84	8.43	10.19
Total debt repayment period	10.46	13.62	19.71	-141.71
Profitability				
Gross profit margin (%)	29.47	33.99	21.98	16.18
EBIT interest coverage	3.22	3.52	2.61	2.82
EBITDA interest coverage	4.97	5.16	4.19	4.46
Ratio of personnel costs to total costs (%)	5.81	7.26	6.05	3.29
Ratio of material costs to total costs (%)	71.40	67.23	78.81	84.22
Cost income ratio (%)	89.90	86.84	93.10	95.18
Ratio of interest expenses to total debt (%)	2.86	2.89	2.30	2.22
Return on investment (%)	3.85	4.24	2.76	2.68
Return on equity (%)	8.13	9.08	10.34	7.84
Net profit margin (%)	4.36	5.49	4.54	2.10
Operating margin (%)	13.29	17.28	10.87	7.49
Liquidity				
Cash ratio (%)	22.35	14.16	11.49	14.53
Quick ratio (%)	88.46	81.63	84.49	92.97
Current ratio (%)	120.35	108.91	103.49	118.16

Appendix

Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 4: Corporate Issuer Rating of Enel S.p.A.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 5: Corporate Issuer Rating of Enel Finance International N.V.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 6: LT LC Senior Unsecured Issues issued by Enel S.p.A.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Table 7: LT LC Senior Unsecured Issues issued by Enel Finance International N.V.

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Regulatory requirements

The rating[2] 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:

Unsolicited Corporate Issuer / Issue Rating	
With rated entity or related third party participation	No
With access to internal documents	No
With access to management	No

[2] 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.

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
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

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

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Rudger van Mook	Lead-analyst	R.vanMook@creditreform-rating.de
Sabrina Mascher de Lima	Analyst	S.Mascher@creditreform-rating.de

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

Name	Function	Mail-Address
Philipp Beckmann	PAC	P.Beckmann@creditreform-rating.de

On 13 October 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 16 October 2023. 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.

In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report at this point:

No ancillary services in the regulatory sense were carried out for this rating object.

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:

<u>Corporate issuer rating:</u>

1. Annual report

2. Website

3. Internet research

<u>Corporate issue rating:</u>

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

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

Creditreform Rating AG

Contact information

Creditreform Rating AG

Europadamm 2-6
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626
Telefax: +49 (0) 2131 / 109-627

E-Mail: info@creditreform-rating.de
Web: www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Michael Bruns

HR Neuss B 10522