

24 September 2024 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of ENEL S.p.A., at **BBB / stable**

Creditreform Rating (CRA) has affirmed the unsolicited, public corporate issuer ratings of ENEL S.p.A. and ENEL Finance International N.V. – together referred to as ENEL, or the Group, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by the ENEL S.p.A. and ENEL Finance International N.V., at **BBB**. The outlook remains **stable**. The unsolicited short-term issuer rating has also been affirmed at **L3** (adequate level of liquidity). For more information with regard to ENEL's structural, business, and financial risks, please refer to the full rating report of 13 October 2023, which is published on our website.

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Current relevant factors for the rating

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

- + Reduced volatility on energy markets
 - + Strong operating performance during the business year 2023 and H1 2024
 - + Cash inflows from divestments improving net debt and liquidity
 - + Growing capacity in renewables generation
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- Substantial investments and dividend distributions continue to strain cash-flows

ESG-criteria:

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 necessary 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.

ENEL's decarbonization roadmap has progressed over recent years, its targets including 100% renewable generation by 2040, as well as exiting coal-fired generation by 2027 and gas fired generation by 2040. Furthermore, the Group aims to exit gas retail by 2040. With the current 2024–2026 strategy, ENEL plans to add approximately 21 GW of additional renewable capacity and aims to increase its share of renewable capacity to 78%, thus reaching a total of 73 GW of renewable capacity. By 2030, the Group aims to have realized an 80% reduction in its 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 its absolute GHG scope 3 emissions related to Gas Retail, also compared to 2017. ENEL has made meaningful strides in ESG criteria in recent years, and transformation will likely continue with the ongoing strategy.

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.

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

The current unsolicited corporate issuer rating of **BBB** for 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, and its relatively high degree of regulated activities. With its strategic re-positioning and divestment program, the Group is expected to improve its credit metrics with targeted divestments of EUR 11.5 billion, of which deals in the amount of EUR 9.5 billion had already been closed as of June 2024. Additionally, the Group is withdrawing from several markets and will focus on six core countries. This will reduce its geographical footprint, but we believe that, on average, this will reduce the Group's country risk, as 80% of its EBITDA is expected to be generated within the United States and European markets, with a focus on Iberia and Italy.

We continue to see the Group's high cash-outflows in relation to its investment program of EUR 35.8 billion for the period of 2024 - 2026, and the minimum dividend per share of EUR 0.43 as critical, and we believe this may continue to strain the Group's financials and further limit its ability to deleverage. With its divestments plan, ENEL has managed to reduce net debt and free up cash for its investment program. Currently, the Group's capital expenditure and dividends still exceed FFO generation, which could again lead to further increases in leverage in the future. However, adjusted by expected cash inflows from its co-investment model and expected subsidies for European grid investments, the Group may work to an equilibrium between FFO and cash outflows relating to capital expenditure and dividend payouts, but this remains to be seen.

Based on the Group's shareholder structure, as well as due to the scope of its activities in Italy, we maintain that the Group is moderately dependent on that country's overall economic development. Therefore, we have determined the unsolicited sovereign rating of the Italian Republic (CRA: **BBB-** / **positive** as of 15.01.2024) to be a potential constraining factor, as the unsolicited 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 2024, and its divestment program, which is proceeding according to ENEL's plan and which will reduce net debt and lead to improved liquidity. As of H1 2024, the Group had a positive FCF due to significant cash inflows from divestments.

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.

Best-case scenario: BBB+

In our best-case scenario for one year, we assume a rating of BBB+. A rating upgrade would be possible if the Group would continue to show strong operating development, will have successfully decreased its leverage and will reach a point where operating cash flow will cover both investments as well as dividends issued.

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, without any indication of a recovery on the horizon, and that leverage increases despite divestments.

Business development and outlook

The Group demonstrated sound business development during the 2023 financial year, despite a substantial decline in revenues. This decrease was primarily due to reduced trading volumes and lower average market prices for both electricity and gas. The Thermal Generation and Trading segment (EUR -33,087 million), and the End-User Markets segment (EUR -11,037 million) saw particularly significant declines in revenue.

Table 1: Financials I Source: ENEL S.p.A. Annual Report 2023, 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	
	2022	2023
Sales (million EUR)	135,653	92,882
EBITDA (million EUR)	16,505	24,006
EBIT (million EUR)	9,007	15,869
EAT (million EUR)	2,920	4,267
EAT after transfer (million EUR)	1,682	3,438
Total assets (million EUR)	204,785	180,224
Equity ratio (%)	18,48	21,92
Capital lock-up period (days)	47,47	62,17
Short-term capital lock-up (%)	37,99	39,14
Net total debt / EBITDA adj. (Factor)	8,67	5,25
Ratio of interest expenses to total debt (%)	2,22	3,37
Return on investment (%)	2,68	6,30

Operating profit however, after adjusting for non-recurring events, saw a notable improvement, reaching EUR 14,042 million (2022: EUR 12,129 million). This was driven by stronger performance in the ENEL Green Power and End-User Markets segments, which was partially offset by weaker results in the Thermal Generation and Trading segment. The latter was impacted by reduced generation, partly due to improved water conditions that led to significantly higher hydro-electric output. While this increase in hydro-electric generation benefited the Green Power segment, it (indirectly) negatively affected the Thermal Generation segment by reducing net generation. The End-User Markets segment experienced a

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.

considerable boost in operating profit due to lower procurement costs, which significantly improved operating margins. The higher adjusted operating profit was partially offset by a decline in ENEL Gids' performance, as well as by the effects of deconsolidation.

Table 2: Reconciliation of adjusted EBIT to reported EBIT | | Source: ENEL S.p.A. Annual Report 2023

in EUR million	Reported EBITDA to adjusted EBITDA reconciliation	
December 31	2022	2023
Adjusted EBIT	12,129	14,042
non-ordinary loss on M&A	-488	-225
Extraordinary solidarity levies		-208
Energy transition and digitalization	-372	-380
Impairment losses		-1682
Ordinary loss from discontinued operations	42	-715
Other	-118	
Reported EBIT	11,193	10,832

The Group's cash flow generation was robust during the 2023 business year, recording a substantial increase compared to the prior year. Funds from operations (FFO) reached EUR 14.8 billion (2022: EUR 9.1 billion). However, ENEL was unable to fully finance its capital expenditure and dividends distribution from its FFO despite its increase. Investments amounted to EUR 12,714 million and dividend payments to EUR 5,135 million. Cash inflows from disposals amounting to EUR 2,083 million and capital grants of EUR 413 million helped reduce this deficit, but have not closed it entirely.

Credit metrics have improved, largely due to strong operating performance in 2023 as compared to 2022. The Group's equity ratio stood at 21.92% (2022: 18.48%), but remains under pressure from dividend payouts, which have at times significantly exceeded the Group's profit in recent years. ENEL has initiated a divestment program of approximately EUR 11.5 billion, which will help finance its investment program and improve its capital structure. CRA's Net Total Debt/EBITDA adj., which accounts for total liabilities minus liquid funds rather than just financial debt, improved significantly due to better operating performance, reaching 5.25 (2022: 8.67).

The first half of 2024 saw strong performance, although revenues declined due to reduced electricity generation and sales in both wholesale and retail markets, as well as lower average sales prices. Revenues fell to EUR 38,731 million (H1 2023: EUR 47,095 million). EBITDA increased to EUR 12,862 million (H1 2023: EUR 9,676 million), partly driven by a EUR 1,347 million gain from the sale of electricity generation and distribution activities in Peru. After adjusting for extraordinary items, ordinary gross operating profit stood at EUR 11,681 million (H1 2023: EUR 10,739 million). Group earnings after taxes (EAT) rose significantly to EUR 4,144 million (H1 2023: EUR 2,513 million), with improvements even after adjusting for non-operating issues compared to the previous year.

As of June 2024, the Group reduced its net financial debt to EUR 57,406 million, supported by strong cash flows. Cash flow after investing activities amounted to EUR 4,490 million (H1 2023: EUR -1,192 million), a significant improvement largely driven by comparably lower capital expenditure and divestiture-related cash inflows. For the full year 2024, ENEL expects ordinary EBITDA between EUR 22.1 billion and EUR 22.8 billion, with net ordinary income ranging between EUR 6.6 billion and EUR 6.8 billion. Additionally, the divestment program has nearly been completed, with EUR 9.5 billion of deals having been closed and two other deals having

already been signed, aiding in financing its investment program and reducing net debt. Given these developments, and alongside ENEL's strong operating performance, we anticipate positive improvements in the Group's credit metrics for the 2024 financial year.

Over the next three years, the Group expects to generate FFO of EUR 43.8 billion and plans to invest approximately EUR 35.8 billion, while maintaining its current dividend policy. This is expected to result in a financing deficit. However, ENEL anticipates it will receive roughly EUR 3.5 billion in European grants and financing for grid investments, and aims to establish a co-investment model, which is projected to reduce financing needs by EUR 6.1 billion for its renewable energy investments, which would lower net investments to EUR 26.2 billion. Given this, it appears plausible that cash inflows and outflows may find an equilibrium, although the Group's dividend policy continues to exert pressure on cash flows.

ENEL's scheduled investments will be primarily directed toward its grid business (53%) and renewable energy generation (30%). By the end of 2026, the Group expects ordinary EBITDA to reach between EUR 23.6 billion and EUR 24.3 billion, with more than 50% of these returns coming from regulated assets, which will increase the share of long-term stable and visible returns, and is likely to have a credit positive effect on the rating.

As of H1 2024, the Group showed strong liquidity, with EUR 10.4 billion in cash and cash equivalents and EUR 19.8 billion in available committed credit lines. This liquidity is more than sufficient to cover bond and loan repayments, as well as capital expenditures, for the next 12 months.

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's 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 abovementioned subsidiary were set at **L3** (standard mapping), which corresponds to adequate level of liquidity 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, and 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 notes that have been issued under the Euro Medium Term Note Program (EMTN), with the last base prospectus of 15 January 2024.

We have provided the long-term local currency senior unsecured notes issued by ENEL S.p.A. and the abovementioned 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, as well as 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 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
ENEL S.p.A	24.09.2024	BBB / stable / L3
ENEL Finance International N.V.	24.09.2024	BBB / stable / L3
Long-term Local Currency (LC) Senior Unsecured Issues issued by ENEL S.p.A.	24.09.2024	BBB / stable
Long-term Local Currency (LC) Senior Unsecured Issues issued by ENEL Finance International N.V.	24.09.2024	BBB / stable
Other	--	n.r.

Appendix

Rating history

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

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

Event	Rating created	Publication date	Result
Initial rating	06.06.2019	14.06.2019	BBB+ / stable

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

Event	Rating created	Publication date	Result
Initial rating	06.06.2019	14.06.2019	BBB+ / stable

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

Event	Rating created	Publication date	Result
Initial rating	06.06.2019	14.06.2019	BBB+ / stable

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

Event	Rating created	Publication date	Result
Initial rating	06.06.2019	14.06.2019	BBB+ / stable

Table 8: Corporate Short-term Issuer Ratings of Enel S.p.A. and ENEL Finance International N.V.

Event	Rating created	Publication date	Result
Initial rating	13.10.2023	19.10.2023	L3

Regulatory requirements

The rating² 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
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	2.0	March 2024
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
Christina Sauerwein	Analyst	C.Sauerwein@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

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.

On 24 September 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 25 September 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 ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final rating reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rating entity or for third parties associated with the rated entity:

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

For the complete list of provided rating and credit service ancillaries please refer to 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.

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