

Rating object

ENEL S.p.A.
ENEL Finance International N.V.
Long term local currency senior unsecured issues ENEL S.p.A.
Long term local currency senior unsecured issues ENEL Finance N.V.

Rating incl. outlook / watch

BBB / stable
BBB / stable
BBB / stable
BBB / stable

The present update is, in the regulatory sense, a public unsolicited rating.

Date of inception / disclosure to rated entity / maximum validity:

Rating object	Date of inception	Disclosure to rated entity	Maximum validity
ENEL S.p.A.	22.12.2022	22.12.2022	Withdrawal of the rating
ENEL Finance International N.V.	22.12.2022	22.12.2022	Withdrawal of the rating
Long term local currency senior unsecured issues ENEL S.p.A.	22.12.2022	22.12.2022	Withdrawal of the rating
Long term local currency senior unsecured issues ENEL Finance N.V.			

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

ENEL S.p.A., 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% owned by the Italian Government, and its integrated business model includes energy generation (hydro, wind, solar, geothermal, nuclear, conventional energy), transmission and distribution. The Company is also active in the distribution of natural gas.

The Company has operations in 47 countries with 2.2 million kilometers of grid network across Latin America and Europe and actual with around 51 GW of installed renewable capacity. ENEL is the world's leading private Group in the field of renewable energies and plans to reach around 77 GW by 2024. The Company generated in 2021 revenues of EUR 84,104 million (2020: EUR 66,642 million) and an EAT of EUR 3,857 million (2020: EUR 3,622 million).

Against the background of the deterioration in the financial ratios in the 2021 financial year compared to the previous year, Creditreform Rating has downgraded the unsolicited corporate issuer rating of ENEL S.p.A. as well as the unsolicited corporate issuer rating of ENEL Finance International N.V. from **BBB+** to **BBB**. Creditreform Rating has also downgraded the unsolicited corporate issue rating of the long-term local currency senior unsecured notes issued by ENEL S.p.A. and ENEL Finance International N.V. from **BBB+** to **BBB**. The outlook has changed from **negative** to **stable**.

Net financial debt was approximately EUR 69.7 billion at 30/09/2022 (31/12/2021: EUR 52.0 billion), an increase of 34.2%. The increase mainly reflects capital expenditure during the period, the balance of asset purchases and sales, including the acquisition of ERG Hydro S.r.l.3, as well as unfavourable foreign exchange effects, which were only partially offset by positive cash flow from operations. Furthermore, part of the increased net debt is also due to effects of certain government measures on net working capital. Net financial debt is expected to reach a maximum of around EUR 62.0 billion at the end of 2022 due to repayments and thus be slightly lower again.

In addition, the current geopolitical and economic risks affecting the world must be taken into account. We also see dampening effects on the rating against the background of the recent significant increase in energy and production costs as well as the more difficult situation on the procurement markets with general cost inflation.

The 9-month figures for 2022 show a significant increase in turnover, but a decline in earnings. The forecast for the Group's operating result was also reduced in the course of the 9-month figures from EUR 5.6 to 5.8 billion to EUR 5.0 to 5.3 billion.

Primary key rating drivers:

- + ENEL's large-scale, integrated and diversified business model provide it with sufficient resiliency to ride through adverse market conditions
 - + ENEL's stable cash flow generation is supported by a significant share of long-term contracts and regulated activities
 - + Ongoing strategy to decommission coal-fired and fuel oil plants will further enhance ENEL's ESG profile
 - + ENEL will accelerate growth backed by its hefty investment plans for the 2021-2030 period
- Overall, the financial ratios in 2021 have deteriorated compared to 2020
 - Equity ratio fell from 25.33% to 19.48%, albeit due to the nearly 30% increase in total assets
 - Net total debt/EBITDA adj. has increased from 5.89 in 2020 to 11.76 in 2021
 - Total capital return ratio has decreased from 4.24% in 2020 to 3.53% in 2021
 - Forecast for the Group's operating result was lowered from EUR 5.6 to 5.8 billion to EUR 5.0 to 5.3 billion in the course of the 9-month figures
 - Debt levels are expected to increase amid a phase of higher investment; further increasing financial risk in the short-to-medium term
 - Liquidity constraints due to the maintenance of high dividend payments coupled with large capex and sustained negative free cash flows
 - Exposure to markets subject to high volatility and which still struggle to restore their pre-pandemic economic conditions

ESG-criteria:

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

The Company has made meaningful advances in ESG over recent years, and transformation will likely continue with the ongoing strategy to phase out coal-fired and fuel oil plants. Actual, ENEL's total net efficient installed capacity of renewable sources belongs to 51 GW. The Company expects to conclude its coal phase-out strategy by 2027. With this, ENEL aims to have 80% of its generation mix based on renewables by 2030, and full decarbonization of operations is expected to be achieved in 2050.

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 scenarios:

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+

We assume rating of BBB+ in our best-case scenario. This is based on the assumption that market uncertainties and the geopolitical risks will abate during the year 2023, with energy demand increasing and ENEL presenting stronger earnings results as compared to the of the year 2022. In the following years, EBITDA growth is also supported by new renewable energy capacity, and operating margin is likely to increase as the Company moves forward with its strategy of phasing out its coal plants. Despite the increase in financial debt levels, we expect better financial key indicators with the equity ratio again at minimum around 25% and decreasing net total liabilities to EBITDA.

Worst-case scenario: BBB-

We assume a rating of BBB- in our worst-case scenario, reflecting the continuation of a weaker operating environment, attributable to prolonged market volatility and adverse weather conditions. We also consider a certain delay in expansion plans, with the EBITDA ramp-up taking longer than expected and not compensating the impact of a higher financial debt on the Company's key financial indicators. In quantitative terms, this would lead to a stagnation of the equity ratio in the coming years and a further deterioration of the ratio of total net liabilities to EBITDA.

Analysts / Person approving (PAC):

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Initial rating:

Rating object	Event	Rating created	Publication date	Monitoring until	Result
Corporate Issuer Rating of ENEL S.p.A.	Initialrating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable
Corporate Issuer Rating of ENEL Finance International N.V.	Initialrating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable
LT LC Senior Unsecured Issues issued by ENEL S.p.A.	Initialrating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable
LT LC Senior Unsecured Issues issued by ENEL Finance International N.V.	Initialrating	06.06.2019	www.creditreform-rating.de	Withdrawal of the rating	BBB+ / stable

Status of solicitation and information basis:

The present rating is, in the regulatory sense, a public **unsolicited** rating. 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

Rating methodology / Version / Date of application:

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

Regulatory requirements:

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. The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

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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:

¹ 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.

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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