MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms EnBW's Baa1 rating; stable outlook

30 Jul 2026

Frankfurt am Main, July 30, 2026 -- Moody's Ratings (Moody's) has today affirmed the Baa1 long-term issuer rating of EnBW Energie Baden-Wuerttemberg AG (EnBW) and the Baa1 backed senior unsecured ratings of its guaranteed subsidiary, EnBW International Finance B.V. Concurrently, we have affirmed the (P)Baa1 and (P)P-2 long term and short term senior unsecured/backed senior unsecured MTN program ratings as well as the (P)Baa2 subordinated/backed subordinated MTN program ratings of EnBW and EnBW International Finance B.V., respectively; the Baa2 subordinated and Baa3 junior subordinated debt ratings of EnBW, its Prime-2 short-term issuer rating, and the baa2 Baseline Credit Assessment. The outlooks for both issuers remain stable.

RATINGS RATIONALE

Affirmation of the Baa1 rating with a stable outlook reflects our expectation that EnBW will maintain a credit profile commensurate with the rating category notwithstanding its substantial ongoing capital expenditure (CAPEX) programme. EnBW foresees up to €50 billion of gross investment over the period 2024-30, with €15 billion already spent from 2024 through Q1/2026, but plans to limit the net cash impact to around €34 billion through partnerships and divestments as well as the €3.1 billion equity raise in 2025. Given the company's track record of a prudent financial policy and its commitment to maintaining a solid investment-grade rating, we anticipate that EnBW will seek to protect its credit profile in executing the CAPEX programme.

EnBW's approach to raising capital for its planned investments includes entering into partnerships with sizable stakes for minority shareholders, as exist at its offshore wind farms Albatros, Hohe See, Baltic 1 and 2 and He Dreiht, or its electricity transmission operator TransnetBW GmbH, where EnBW owns a majority of only slightly above 50%. These partnerships reduce the need for additional borrowing and support diversification, credit positives, but at the expense of increased cash leakage to minorities notwithstanding EnBW's control over these subsidiaries' strategic and financial policies. To the extent that divestments and participations include stakes in regulated low risk assets or renewables capacity rather than conventional generation and supply activities, such disposals will likely weigh on the overall business risk profile over the medium term.

We expect EnBW's corporate structure to feature a growing share of minorities as the company seeks to combine its growth strategy with a measured increase in debt to manage its financial profile. The cash leakage associated with the minorities is taken into account in our guidance for EnBW's ratings, expressed as funds from operations (FFO) to net debt and retained cash flow (RCF) to net debt, of 19% and 13%, respectively. Given the extent to which distributions to minorities are reflected within RCF, we have adjusted RCF/net debt guidance to 13% from previously 14%.

EnBW's rating is underpinned by its scale and its leading position in its home state Land of Baden-Wuerttemberg (Aaa stable); the sizable share of regulated earnings from its distribution and transmission grid operations, which we expect at some 50% of company-adjusted EBITDA (EBITDA) over the coming years; a gradual increase of cash earnings from EnBW's long-term contracted renewables generation business, mainly driven by capacity growth, which will likely account for around 20% of EBITDA in 2026 and beyond; and the company's well-balanced financial policy.

EnBW's rating is constrained by the pressure that its large CAPEX programme will exert on the company's financial profile, given the lead time for investments and some time lag before cash is returned; but also its abiding exposure to volatile energy prices in still material, though declining, conventional generation operations and retail business, somewhat mitigated by hedging; as well as by ongoing high competition in the retail markets for energy and related services.

Given the 47% ownership by the Land of Baden-Wuerttemberg, EnBW is considered a Government-Related Issuer (GRI) under our Government-related Issuers methodology. Accordingly and based on our estimate of moderate support in case of financial distress and moderate default dependence, the Baa1 rating factors in a one-notch uplift from the company's BCA of baa2.

The Baa2 and Baa3 long-term ratings on the subordinated and junior subordinated hybrid securities, respectively, reflect the features of the hybrids that receive basket 'M' treatment, i.e. 50% equity or "hybrid equity credit" and 50% debt for financial leverage purposes under our Hybrid Equity Credit methodology.

RATIONALE FOR STABLE OUTLOOK

The stable outlook reflects our expectation that EnBW will record solid cash earnings over 2026-28, which will allow the company to continue to fund a substantial share of capital spending from generated cash flow. The stable outlook further anticipates that the company will continue to pursue a prudent financial policy and act as necessary to maintain credit metrics consistent with the rating category, including (FFO)/net debt above 19%.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

We currently do not expect upward pressure on the rating, given EnBW's planned sizable capital expenditures. However, such upward pressure could develop over time if EnBW's FFO/net debt was to increase above the mid-twenties in percentage terms on a sustained basis.

We could downgrade EnBW's rating if credit metrics weakened such that FFO/net debt was likely to remain persistently below 19%. There could also be downward rating pressure if RCF/net debt fell below 13%. A reduction in the government support assumption incorporated into EnBW's rating is also likely to lead to a downward rating adjustment.

The guidance for EnBW's rating may be tightened if the level of minority interests increased beyond what is currently anticipated, or the business risk profile deteriorates.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Unregulated Utilities and Power Companies published in August 2025 and available at https://ratings.moodys.com/rmc-documents/449372, and Government-related Issuers published in May 2025 and available at https://ratings.moodys.com/rmc-documents/443641. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

EnBW is the only fully vertically integrated utilities group in Germany, operating electricity and gas transmission and distribution networks and some thermal power generation plants, mostly in the southwest of Germany, as well as a growing portfolio of wind, solar and hydro renewable installations, mostly in Germany, France, Switzerland and Czechia. In 2025, EnBW generated around €5.1 billion of adjusted EBITDA.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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