S&P Global Ratings

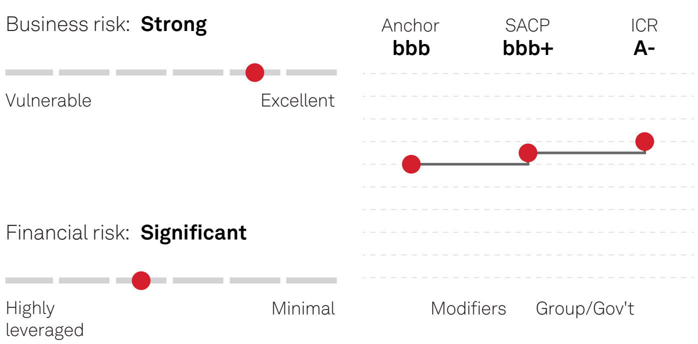
Research

EnBW Energie Baden-Wuerttemberg AG

September 24, 2026

This report does not constitute a rating action.

Ratings Score Snapshot



Issuer credit rating

A-/Negative/A-2

ICR--Issuer credit rating. SACP--Stand-alone credit profile.

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Credit Highlights

Overview

Key strengths	Key risks
Robust earnings profile, supported by a diversified asset base and integrated presence across the electricity value chain.	EnBW's ambitious investment plan, combined with slower-than-expected EBITDA growth, is expected to pressure credit metrics.
High share of low-risk earnings from regulated networks and contracted renewables (exceeding 60% of total EBITDA on a proportionate basis), providing cash flow stability and predictability.	Cash flow leakage risk and earnings quality dilution due to minority stakes in high-quality low leverage assets.
Our expectation of continued supportive financial policy.	Exposure to commodity price volatility in merchant power generation and retail business (roughly 40% of EBITDA on a proportionate basis).
A one-notch uplift to the rating due to our assessment of a moderate likelihood of extraordinary support from the State of Baden-Wuerttemberg (47% shareholder).	Above-average carbon footprint relative to peers, with generation fleet still dependent on coal and gas-fired generation, mitigated by a dedicated coal-exit plan by 2028 that is well underway.

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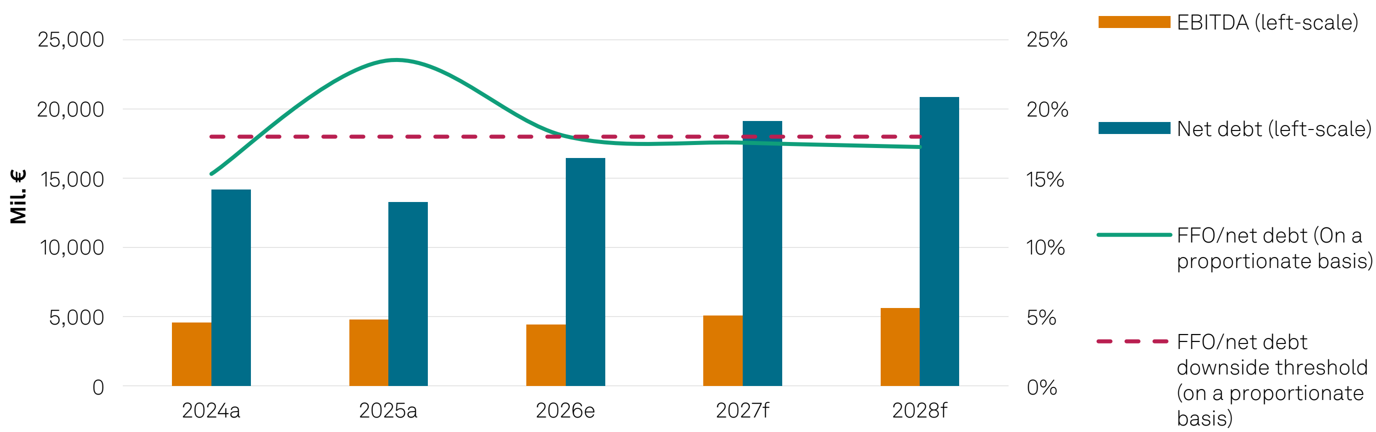
S&P Global Ratings' negative outlook on EnBW reflects our anticipation of the deterioration of its credit metrics from 2026. This is primarily due to lower EBITDA and continued high investments for networks, leading to minimal headroom under the current rating. Although the company demonstrated robust performance in 2025--achieving S&P Global Ratings-adjusted EBITDA of €4.8 billion and an S&P Global Ratings-adjusted funds from operations (FFO)-to-debt ratio of 23.5% on a proportionate basis (excluding the cash flow leakage to minorities)--we anticipate credit metrics to weaken over 2026-2028. Specifically, S&P Global Ratings-adjusted EBITDA is projected to decline to €4.4 billion in 2026, before recovering to about €5.0 billion in 2027 and reaching €5.6 billion in 2028. The contraction in 2026 is primarily due to lower achieved energy prices and diminished generation margins, which is further compounded by the cessation of lignite generation due to the sale of Lippendorf in 2025, rising overhead costs, and other temporary headwinds. Furthermore, the deployment of the up to €50 billion investment plan for 2024-2030 has been shifted toward later years, tempering earnings growth. We have revised our aggregate EBITDA estimates for 2026-2027 downward by approximately €800 million compared with previous forecasts. This also reflects lower power price assumptions and a moderate decline in renewables EBITDA as certain offshore wind farms transition to lower remuneration levels. As a result, the proportionate S&P Global Ratings-adjusted FFO-to-debt ratio is expected to average 17.6% over 2026-2028, falling below the 18.0% threshold commensurate with the current rating.

Rising debt outpaces earnings growth, pressuring credit metrics



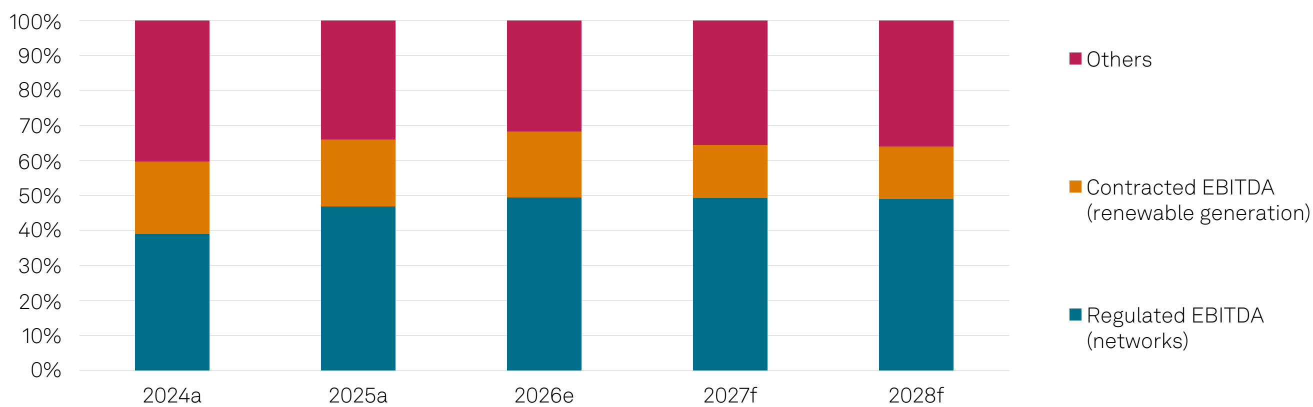
a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations. Source: S&P Global Ratings.

EnBW's up to €50 billion investment plan over 2024-2030 remains intact; however, the timing of deployment has shifted toward later years, leading to slower earnings growth. The company's total gross investments for 2024 and 2025 amounted to €12.3 billion, and we expect about €7.0 billion-€7.5 billion in annual investments on average over 2026-2030, bringing the cumulative total to approximately €50 billion by 2030. Compared with our previous expectations, this is less front-loaded, leading to slower earnings growth as the company is investing more in stable but lower-return energy networks. Furthermore, the company's exit from the Mona and Morgan offshore wind projects in the U.K. earlier in 2026 underscores the challenging market conditions facing the European offshore wind sector and leads to lower EBITDA in the future as the projects will not be commissioned. These headwinds might potentially impact EnBW's 1.0 gigawatt (GW) Dreekant project in Germany and its 2.9 GW Morven project in the U.K., both of which are still awaiting final investment decisions. Our current base case also accounts for the re-phasing of TransnetBW's transmission network investments and delays in hydrogen network deployment because of hydrogen demand uncertainty. However, we anticipate higher net investments due to significantly lower divestments, including reduced farm-downs and asset rotations via participation models. As a result, adjusted net debt is projected to rise to €20.8 billion by 2028 from €13.3 billion in 2025.

While EnBW's strategic shift toward a business mix dominated by low-risk operations supports the rating, the increasing minority stakes in high-quality assets present a dilution risk to earnings quality. EnBW targets to derive over 70% of consolidated EBITDA from regulated grid assets and contracted renewable generation. The company's integrated model is increasingly focused on regulated network infrastructure, which is expected to maintain a consolidated EBITDA share above 50% and above 45% on a pro rata basis, thereby enhancing earnings resilience and cash flow stability. However, EnBW's risk-sharing strategy--involving the continuous divestment of minority stakes in high-quality assets with lower-than-group-leverage like TransnetBW and He Dreiht--presents a rising dilution risk to earnings quality. Consequently, proportionate figures for regulated activities and FFO-to-debt are expected to be lower than consolidated ones, necessitating ongoing monitoring of potential cash leakage. We estimate that, on average for 2026-2028, the share of regulated activities and long-term contracted renewable generation (via feed-in tariffs and power purchase agreements [PPAs]) will be 64%-68% on a proportionate basis, compared to 69%-73% on a consolidated basis. Similarly, our proportionate FFO to debt is 450 basis points (bps)-500 bps lower than on a consolidated basis for 2026-2028 (17.6% vs. 22.3% on average).

Minority stakes in high-quality assets dilute earnings quality

On a proportionately consolidated basis



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Germany's federal network agency's (BNetzA's) proposed weighted average cost of capital (WACC) framework for gas network operators is modestly credit negative for EnBW. We estimate EnBW generates about 5%-7% of EBITDA from regulated gas- network operations. The draft 3.76% pretax nominal WACC for old assets including a fixed 5.76% pretax nominal return on equity (ROE) for the entire regulatory period implies lower returns on incremental investments than those guaranteed by the current regulatory regime, despite rising interest rates across Europe. On Aug. 14, 2026, BNetzA published a draft consultation on the allowed return framework for gas distribution and transmission system operators for the fifth regulatory period (2028-2032), proposing a standardized WACC methodology based on a notional capital structure of 40% equity and 60% debt. The proposal includes a 5.76% pretax ROE on all assets, a 2.43% cost of debt for existing assets, and a resulting 3.76% pretax nominal WACC, with the consultation open until Sept. 14, 2026, and a final determination expected by year-end 2026. In our view, the proposed WACC for old assets is low compared with many Western European regulatory frameworks. While qualifying new investments will continue to benefit from the capital expenditure (capex) mark-up mechanism, the low baseline return on the existing asset base may nevertheless reduce the attractiveness of gas network investments over time. The WACC parameters for electricity networks will be set in a separate process one year later than for gas networks and may therefore differ. Differences could arise in the estimated beta factor and in the cost of debt methodology, because the latter will be based on a slightly more recent historical reference period. Moreover, we expect the calculation to include a capex-intensity weighting to historical financing costs.

We assume the company will maintain a supportive financial policy and high flexibility in capital investments. In our view, if the proportionate FFO-to-debt ratio does not recover to at least 18% over a sustained period, additional measures (such as capex reductions or deferrals, and further asset disposals) could be considered to support the company's financial metrics. The company maintains a strong commitment to a solid investment-grade rating. In addition, EnBW has demonstrated a favorable track record of strong shareholder support, such as relatively low dividend payouts and significant equity injections, such as the €3.1 billion capital increase completed in July 2025. This was further bolstered in February 2026, when EnBW increased its hybrid stock by €1 billion, raising the total to €3.5 billion. Moreover, support from the local government results in a moderate likelihood of extraordinary support, which translates into a one-notch uplift from the stand-alone credit profile (SACP).

Outlook

The negative outlook reflects the risk that EnBW's FFO to debt on a proportionate basis (excluding minority interests) could remain below our 18% downside threshold between 2026-2028 due to slower earnings growth and still high investments.

Downside scenario

We could lower our rating on EnBW if we no longer think that its proportionate FFO to debt could recover to at least 18% in the next 18-24 months. This could stem from company's insufficient remedy measures to mitigate the pressure on credit metrics or further weakening EBITDA generation.

Upside scenario

We will revise the outlook to stable once EnBW restores its proportionate FFO to debt above 18% on a sustainable basis.

Our Base-Case Scenario

Assumptions
• Earnings from system critical infrastructure are expected to increase modestly during 2026-2028 due to increased network usage and strong investment activity.

- Earnings from renewables are expected to decrease moderately, as growth from the commissioning of He Dreiht and new onshore/photovoltaic capacities is offset by lower remuneration for certain offshore wind farms with feed-in tariffs.
- Earnings from thermal generation and trading are expected to decline, as growth from fuel-switch plants and liquefied natural gas expansion is offset by declining market prices, with 2026 performance further affected by the sale of the lignite plant in Lippendorf.
- Gross investments are forecast to be up to €50 billion over the 2024-2030 period, with at least 85% of capex aligned with the EU taxonomy and focused primarily on grid infrastructure and renewables.
- Capex, net of customer contributions, capitalized interest, and capitalized development costs, is expected to be about €7.0 billion on average over 2026-2028.
- The share of renewables in the energy mix is set to increase from 66% in 2025 to approximately 75%-80% by 2030 at the consolidated level, driven by substantial decarbonization efforts and a planned coal exit by end-2028.
- The Ultranet project, a 342-kilometer (km) high-voltage direct current corridor, is currently under construction and is targeted for commissioning by the end of 2026.
- The 960 megawatt (MW) He Dreiht offshore wind farm in the German North Sea is expected to be fully commissioned by fourth-quarter 2026.
- EnBW is committed to building approximately 750 km of hydrogen-ready pipelines to Germany's planned 9,000 km hydrogen core network, with further expansion depending on market demand and the regulatory framework.
- Generation hedge levels of 80%-100% for 2027, gradually declining to 40%-70% for 2028, and below 30% for 2029, reflecting the company's rolling hedging strategy and market exposure management over time.
- Dividends to be received from equity investments are expected to average about €230 million annually over 2026-2028, which are added to EBITDA.
- Dividend distributions, including those to minority shareholders, are expected to average approximately €1.0 billion annually over 2026-2028.
- The company will maintain a €3.5 billion hybrid stock through 2028.
- Over 98% of EnBW's share capital is held by public-sector entities--primarily the State of Baden-Wuerttemberg and Zweckverband OEW (94%)--ensuring stable, long-term ownership.

Key metrics

EnBW Energie Baden-Wuerttemberg AG--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	**2024a**	**2025a**	**2026e**	**2027f**	**2028f**
Revenue	34,463	34,324	43,831	41,678	40,449
EBITDA (reported)	5,090	4,676	4,248	4,939	5,469
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--
Plus/(less): Other	(524)	108	171	141	137
EBITDA	4,567	4,784	4,419	5,080	5,606
Less: Cash interest paid	(586)	(697)	(698)	(759)	(876)
Less: Cash taxes paid	(937)	(348)	(101)	(265)	(259)
Plus/(less): Other	--	314	188	153	123

EnBW Energie Baden-Wuerttemberg AG--Forecast summary

Period ending	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. EUR)	2024a	2025a	2026e	2027f	2028f
Funds from operations (FFO)	3,044	4,054	3,808	4,209	4,594
Interest expense	1,078	1,051	974	1,035	1,152
Cash flow from operations (CFO)	2,629	4,253	3,004	3,290	3,696
Capital expenditure (capex)	5,170	6,387	7,166	7,355	6,380
Free operating cash flow (FOCF)	(2,541)	(2,134)	(4,162)	(4,065)	(2,684)
Dividends	788	819	952	1,039	1,122
Share repurchases (reported)	--	--	--	--	--
Discretionary cash flow (DCF)	(3,329)	(2,953)	(5,114)	(5,104)	(3,806)
Debt (reported)	19,505	19,813	21,221	21,656	22,628
Plus: Lease liabilities debt	1,253	1,415	1,466	2,627	2,784
Plus: Pension and other postretirement debt	1,436	1,034	1,220	1,102	964
Less: Accessible cash and liquid Investments	(7,833)	(8,761)	(6,640)	(5,272)	(4,368)
Plus: ARO debt adjustment	1,073	1,012	942	764	596
Less: Intermediate equity hybrid reported as debt	(1,246)	(1,246)	(1,746)	(1,746)	(1,747)
Debt	14,189	13,267	16,463	19,131	20,857
Cash and short-term investments (reported)	8,486	9,618	7,497	6,129	5,225
Adjusted ratios					
Debt/EBITDA (x)	3.1	2.8	3.7	3.8	3.7
FFO/debt (%), consolidated	21.5	30.6	23.1	22.0	22.0
FFO/debt (%), proportionate	15.3	23.5	18.0	17.6	17.3
FOCF/debt (%)	(17.9)	(16.1)	(25.3)	(21.2)	(12.9)
EBITDA margin (%)	13.3	13.9	10.1	12.2	13.9

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. EUR--euro. Our base case is cautious, with upside potential in operating performance that is not currently reflected in our forecast. This includes higher energy prices for longer driven by geopolitical tensions, greater cost savings from broader implementation of efficiency programs to optimize the cost structure, and potentially higher regulatory returns in the upcoming period due to proposed changes in the German regulatory framework for electricity network operators from 2029.

Company Description

EnBW is a leading vertically integrated utility in Germany. The group is principally engaged in electricity generation and trading, as well as the operation of electricity grids. Its gas activities include storage, trading, and portfolio management, while the downstream business covers the transmission, distribution, and sale of gas.

In addition to the traditional EnBW brand, the group serves its German household and industrial customers under the Yello and Naturenergie names, as well as those of its subsidiaries such as Stadtwerke Düsseldorf and VNG, targeting different market segments. EnBW aims to continue to position its business mix toward less volatile renewable generation and stable grid operations, with both segments representing more than 70% of EBITDA on a consolidated basis.

EnBW is predominantly active in Germany, where it generates more than 85% of its EBITDA and where its operations focus on the State of Baden-Wuerttemberg, a center of manufacturing and engineering. The group is also the majority shareholder of Stadtwerke Düsseldorf AG (not rated).

In addition, EnBW has operations in the U.K., France, the Czech Republic, Austria, Switzerland, and Turkiye.

The State of Baden-Wuerttemberg and Zweckverband Oberschwäbische Elektrizitätswerke (Zweckverband OEW), an association of municipalities in Baden-Wuerttemberg, each own 47% of EnBW. The remaining shares are mainly held by several associations of municipalities in Baden-Wuerttemberg and by EnBW as treasury shares. EnBW is listed on the stock exchanges in Frankfurt and Stuttgart in the regulated market, with a market capitalization of roughly €23 billion as of mid-September 2026.

Peer Comparison

In our peer analysis, we look at large integrated European utilities such as Enel, Engie, Iberdrola, and SSE, all of which operate across power generation, gas and electricity distribution, and the transmission and commercialization of power and gas. Given that the peer group exhibits consistent risk profiles--strong business risk and significant financial risk--they converge on a common anchor of 'bbb' and an SACP of 'bbb+', except Enel at 'bbb' with positive outlooks on the issuer credit ratings.

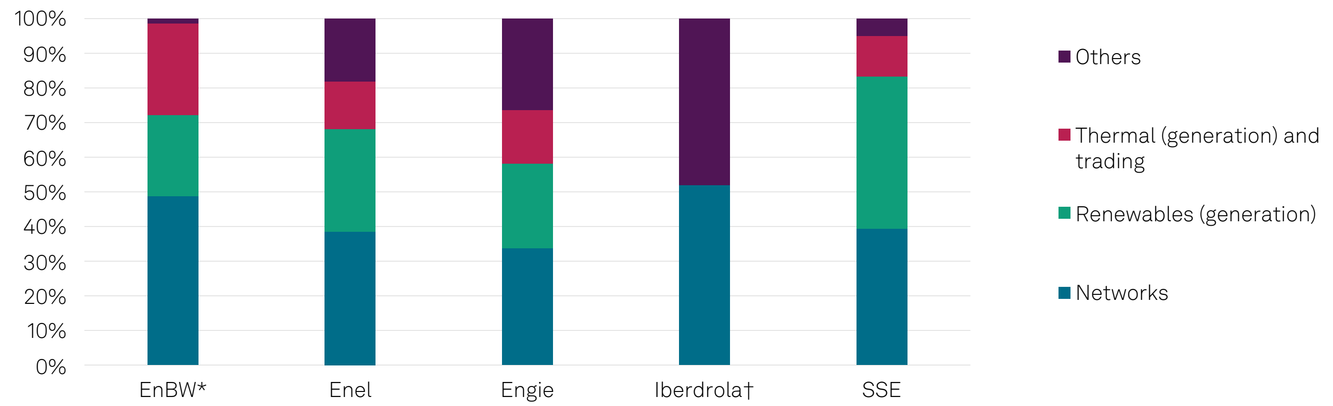
EnBW's EBITDA profile is characterized by a relatively high contribution from regulated activities. Networks account for about 53% of total EBITDA on a consolidated basis (49% on a pro rata basis in 2025), second only to Iberdrola (52%) and materially above Enel (39%), Engie (34%), and SSE (39%). The high share of networks business enhances cash flow predictability and reduces earnings volatility.

However, EnBW's earnings base is much smaller and less diversified than that of some peers, particularly Enel, Engie and Iberdrola, which derive meaningful contributions from customer-facing and other ancillary businesses. It also has a smaller footprint in renewable generation than most of its peers.

While both EnBW and SSE are accelerating grid investments, SSE's EBITDA is poised for more rapid expansion relative to EnBW, reflecting the superior regulatory returns in the UK regulatory framework.

Reflecting the moderate likelihood of support from the State of Baden-Wuerttemberg, EnBW is the only entity in the peer group receiving a one-notch uplift to its SACP, resulting in an issuer credit rating of 'A-', which is the highest amongst peers.

EBITDA mix of peers for 2025 (mil. €)



Source: S&P Global Ratings. *For EnBW, EBITDA mix is presented on a proportionately consolidated basis. †Others for Iberdrola includes Power Generation & Customers.

EnBW Energie Baden-Wuerttemberg AG--Peer Comparisons

	EnBW Energie Baden-Wuerttemberg AG	Enel SpA	Engie S.A.	Iberdrola S.A.	SSE PLC
Foreign currency issuer credit rating	A-/Negative/A-2	BBB/Positive/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	A-/Negative/A-2	BBB/Positive/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2025-12-31	2025-12-31	2025-12-31	2025-12-31	2026-03-31
Mil.	EUR	EUR	EUR	EUR	EUR
Revenue	34,324	80,196	71,944	44,045	11,666
EBITDA	4,784	20,929	14,258	14,558	3,562
Funds from operations (FFO)	4,054	15,231	11,845	11,201	3,150
Interest	1,051	3,237	2,640	3,268	604
Cash interest paid	697	2,846	1,886	2,342	532
Operating cash flow (OCF)	4,253	14,061	(2,600)	9,090	3,681
Capital expenditure	6,387	9,148	6,935	9,482	4,862
Free operating cash flow (FOCF)	(2,134)	4,913	(9,535)	(392)	(1,182)
Discretionary cash flow (DCF)	(2,953)	(3,849)	(14,022)	(5,932)	(1,941)
Cash and short-term investments	8,761	5,115	14,507	5,124	1,767
Gross available cash	8,761	5,115	15,510	5,216	1,767
Debt	13,267	73,360	48,774	55,705	14,230
Equity	22,921	42,696	38,634	58,794	17,073
EBITDA margin (%)	13.9	26.1	19.8	33.1	30.5
Return on capital (%)	10.1	12.7	8.8	9.2	9.5
EBITDA interest coverage (x)	4.6	6.5	5.4	4.5	5.9
FFO cash interest coverage (x)	6.8	6.4	7.3	5.8	6.9
Debt/EBITDA (x)	2.8	3.5	3.4	3.8	4.0
FFO/debt (%)	30.6	20.8	24.3	20.1	22.1

EnBW Energie Baden-Wuerttemberg AG--Peer Comparisons

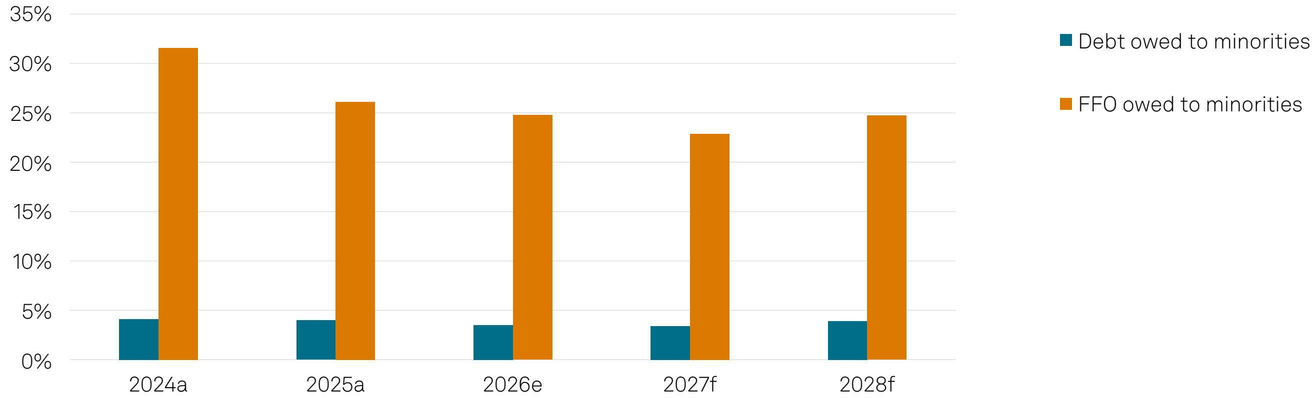
OCF/debt (%)	32.1	19.2	(5.3)	16.3	25.9
FOCF/debt (%)	(16.1)	6.7	(19.5)	(0.7)	(8.3)
DCF/debt (%)	(22.3)	(5.2)	(28.7)	(10.6)	(13.6)

Business Risk

EnBW's earnings quality is resilient, underpinned by a higher share of low-risk earnings. As Germany's only large utility group with a fully integrated business model, the company operates across the entire electricity value chain, including generation, trading, transmission, distribution, and retail supply, which allows it to capture value at multiple stages. Notably, the company's earnings quality remains robust, underpinned by a substantial proportion of low-risk earnings. In 2025, regulated network activities and contracted renewable generation accounted for 76% on a fully consolidated EBITDA, surpassing management's 70% target. This earnings mix enhances cash flow visibility and predictability while limiting exposure to the inherent volatility of market-based activities. Looking ahead to 2026-2028, we expect the proportion of low-risk earnings to remain consistently above 70% on a fully consolidated basis, supported by EnBW's strategic reallocation of investments toward regulated network infrastructure and contracted renewable generation. Under the 2024-2030 investment plan, the company intends to allocate 60%-70% of capex to networks, 25%-30% to sustainable generation capacity (mainly renewables), and the remaining 5%-10% to retail activities (especially e-mobility).

The concentration of minority participation in low-risk, low-leverage, and high-quality assets poses a potential cash flow leakage risk, particularly as the company continues its asset rotation strategy. The company has sold minority equity stakes in key strategic assets with lower leverage than the rest of the group, including TransnetBW, the He Dreiht offshore wind project, and other long-term contracted power generation assets. As a result, a portion of earnings from these assets is owed to minority shareholders, resulting in a widening divergence between proportionate and consolidated earnings. Specifically, low-risk earnings from regulated activities and long-term contracted renewable generation (supported by feed-in tariffs and PPAs) are expected to account for 64%-68% on a proportionate basis as compared with 69%-73% on a consolidated basis.

A meaningful share of cash flows is owed to minorities



a--Actuals. e--Estimate. f--Forecast. FFO--Funds from operations. Source: S&P Global Ratings.

The networks segment acts as the key pillar of the company's low-risk earnings, supporting its business risk profile. In 2025, the segment generated approximately €2.7 billion of EBITDA, contributing to over 50% of the group's total EBITDA and underscoring its role as the company's primary earnings driver. Looking ahead, we expect EBITDA to grow between 2026-2028, primarily driven by increased grid usage revenue resulting from robust investment activity. We estimate that more than half of the planned investments for 2026-2028 will be directed toward the National Development Plan (mainly TransnetBW). Key upcoming projects include Ultranet, which is targeted for commissioning by the end of 2026, and SuedLink, scheduled for completion in late 2028.

We view Germany's regulatory frameworks for energy networks in the mid-to-low range of the strong category. The German regulatory framework is transparent and provides for earnings resilience and cash flow visibility with low risk, but the return is lower than the European average, with a protracted cost recovery cycle. The methodology ensures the full recovery of capital and operating costs, a general pass-through of system services costs, and protection for operators from volume and commodity price fluctuation entirely via the regulatory account. Moreover, we view positively that assets under construction are remunerated and incorporated as invested in the regulated asset base, leading to a timelier reimbursement and reducing stranded asset risk. However, the regulatory return level is relatively low, reflected in lower profitability compared to industry peers in Italy and the U.K. In addition, Germany has one of the longest cost recovery cycles for transmission system operators, with the difference between allowed and forecast costs to be recovered with a two year-lag and spread over three years (costs are recovered between T+3 and T+5). We view this as weaker than the mechanisms in countries such as the U.K. and Italy, which provide for a one-year lag.

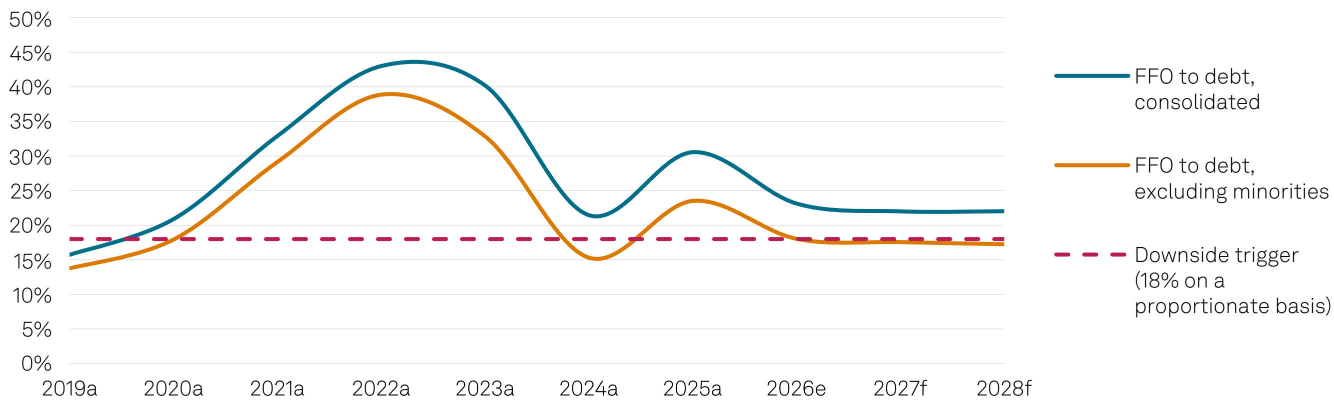
Renewable power generation is expected to experience a moderate contraction in earnings due to transitioning subsidy schemes and project discontinuations, which offset new capacity additions. As of year-end 2025, the company had 7.4 GW of installed renewable capacity, comprising 1.2 GW of offshore wind, 1.5 GW of onshore wind, 1.6 GW of solar photovoltaic, and 3.1 GW of hydropower assets, and the company targets expanding its renewable generation capacity to 10.0-11.5 GW by 2030. We expect a moderate contraction in earnings from this segment, particularly as offshore wind assets face headwinds from the phasing out of existing subsidies and a few assets transitioning to lower subsidy levels. Onshore wind assets also face headwinds due to lower power prices and have significant exposure to market price risk. These headwinds are further compounded by the discontinuation of the Mona and Morgan U.K. offshore wind projects, which represented a combined 3.0 GW capacity. However, these setbacks are partially mitigated by the expected commissioning of the 960 MW He Dreiht offshore wind project in fourth-quarter 2026 and the development of the 1 GW Dreekant and 2.9 GW Morven offshore wind projects, although neither of which has yet reached a final investment decision. A substantial portion of EnBW's renewable generation is secured through long-term contractual arrangements. As feed-in tariffs are gradually phasing out and to a large extent, will be replaced by PPAs, we expect this focus on contracted revenue to remain a central feature, mitigating exposure to wholesale price volatility and ensuring long-term cash flow visibility.

Thermal generation earnings are likely to remain under pressure as EnBW executes on its exit from coal-fired generation. The company has already achieved key milestones in its coal phase-out strategy, including the sale of its stake in the Lippendorf lignite plant, with a full exit from coal targeted by 2028. The earnings impact of this transition was evident in 2025, with reported EBITDA from the thermal generation and trading division declined by 18.1% to €1.2 billion from €1.4 billion in 2024. We expect these earnings pressures to persist into 2026 as generation margins are anticipated to deteriorate further and the cessation of lignite generation in 2026 is expected to weigh on overall segment performance. While these developments underscore the structural earnings headwinds in the thermal generation segment, the commissioning of fuel-switch power plants and the continued expansion of the liquified natural gas business should provide a partial offset and support the group's ongoing transition toward a less carbon-intensive generation mix.

Financial Risk

Our guidance on EnBW is set at FFO to debt of 18% on a proportionate basis, which excludes both the shares of FFO and debt attributable to minorities in jointly owned affiliates. We view this ratio as a good representation of cash flow available for EnBW to repay its debt. We expect selling minority shares to spread project development risk and raise funds will remain central to EnBW's expansion strategy. Positively, as long as the partners are commensurately strong, the strategy reduces single-project concentration risk and the financial burden on EnBW. However, it will further increase cash-flow leakage as the projects or subsidiaries have much lower leverage than the rest of the consolidated group. We forecast that this approach will result in close to one quarter of EBITDA and FFO corresponding to minority shareholders over 2026-2028 as compared with about 3.5%-4.0% of group debt in these entities, leading to the spread between consolidated and proportionate FFO reaching about 450-500 bps during this period.

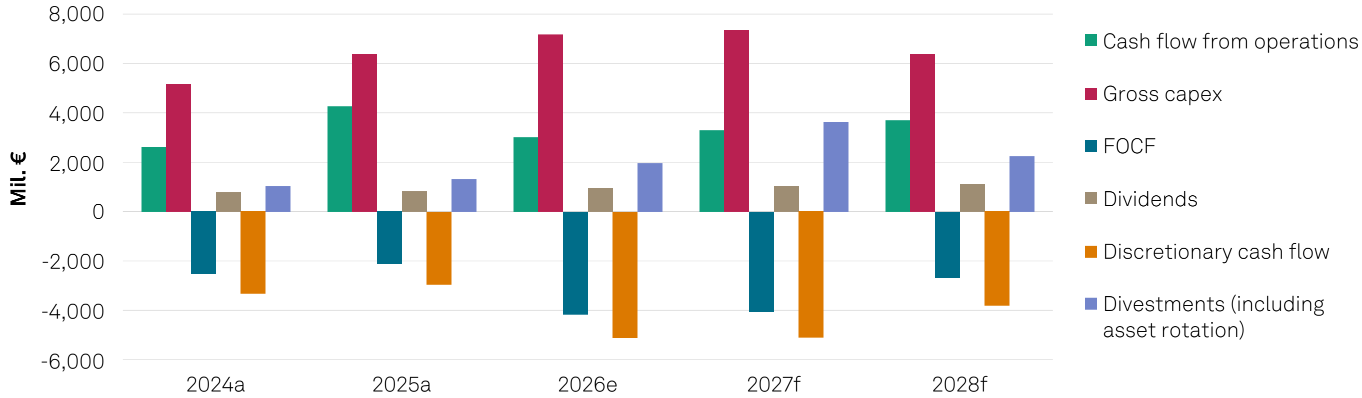
Impact of minority interests on EnBW's FFO-to-debt ratio



FFO--Funds from Operations. a--Actuals. e--Estimate. f--Forecast. Source: S&P Global Ratings.

EnBW's elevated capex plans and dividend commitments, coupled with limited earnings growth, are expected to drive a significant funding gap and increase leverage through 2028. Over the 2026-2028 period, the company's planned investments, primarily directed toward grid infrastructure and renewables, are projected to average about €7.0 billion annually, materially exceeding the expected average annual operating cash flow of €3.4 billion. Consequently, the company is expected to generate negative free operating cash flow averaging about €3.6 billion annually during this period. When combined with anticipated average annual dividend distributions of about €1.0 billion, this shortfall is expected to result in a sizeable funding gap, leading to a negative discretionary cash flow averaging about €4.6 billion annually. Even after accounting for substantial planned divestments, which are projected to provide significant cash inflows averaging roughly €2.6 billion per year between 2026 and 2028, the remaining shortfall is expected to drive an increase in net debt to €20.9 billion by year-end 2028 from €13.3 billion at year-end 2025. While EnBW's earnings remain resilient due to a high share of low-risk earnings from regulated and contracted sources, earnings growth is expected to remain limited, attributable to lower energy prices and generation margins, as well as low regulatory return for grid investments. Accordingly, we anticipate that these developments will pressure credit metrics, leading to a potential decline below the 18% downside threshold for the FFO-to-debt ratio (excluding minorities) by 2028.

Higher capex and dividend outflows are expected to result in material negative DCF



Capex--Capital expenditure. DCF--Discretionary cash flow. FOCF--Free operating cash flow. a--Actuals. e--Estimate. f--Forecast. Source: S&P Global Ratings.

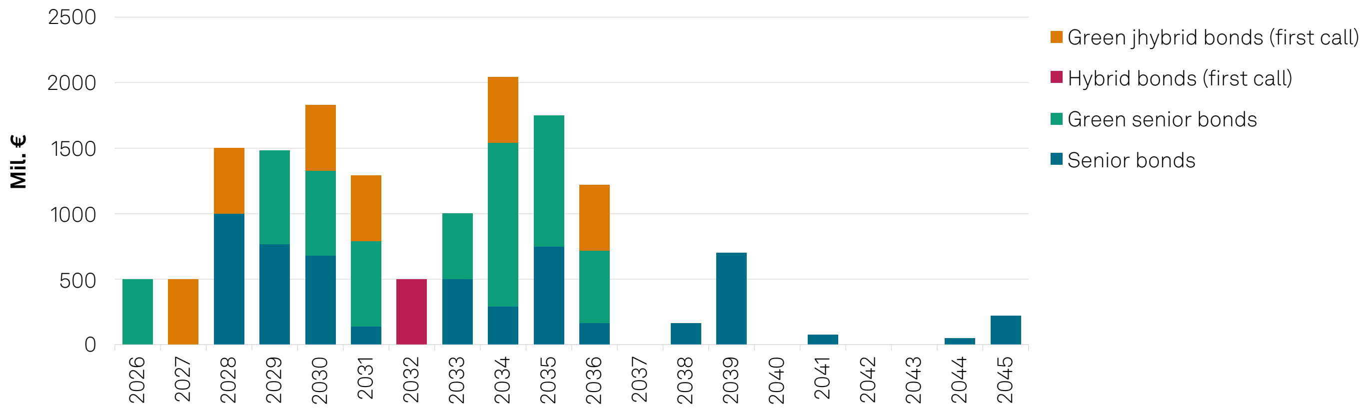
EnBW reported a modest year-on-year decline in first-half 2026 EBITDA, as weaker earnings from the generation segment more than offset growth in its regulated networks and customer businesses. The networks segment remained the group's largest earnings contributor, with EBITDA increasing by 0.7% to €1.3 billion, supported by returns from prior-year grid investments. The customer segment delivered strong growth, with EBITDA rising 32.7% to €0.3 billion, driven by increasing e-mobility adoption and higher charging volumes. In contrast, generation EBITDA declined 25.5% to €0.8 billion, reflecting lower hydropower output, weaker achieved power prices, compressed thermal generation margins, and the absence of lignite-related earnings following the disposal of the Lippendorf plant. Despite slightly weaker results, management reaffirmed its full-year 2026 EBITDA guidance range of €4.6 billion-€5.1 billion.

We benchmark EnBW's metrics against our medial volatility table. We expect EnBW to generate more than 50% of consolidated EBITDA from purely regulated activities operating in the German regulatory framework, which we assess as having a strong regulatory advantage.

Debt maturities

EnBW's outstanding senior bonds and hybrid bonds

As of June 30, 2026



Source: S&P Global Ratings.

EnBW Energie Baden-Wuerttemberg AG--Financial Summary

Period ending	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025
Reporting period	2020a	2021a	2022a	2023a	2024a	2025a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	19,694	32,075	55,935	44,364	34,463	34,324
EBITDA	2,912	3,385	4,743	6,026	4,567	4,784
Funds from operations (FFO)	2,493	2,884	4,191	4,635	3,044	4,054
Interest expense	372	313	407	880	1,078	1,051
Cash interest paid	212	300	325	484	586	697
Operating cash flow (OCF)	1,189	7,638	1,883	907	2,629	4,253
Capital expenditure	2,020	2,225	2,614	4,178	5,170	6,387
Free operating cash flow (FOCF)	(831)	5,412	(731)	(3,271)	(2,541)	(2,134)
Discretionary cash flow (DCF)	(1,264)	4,827	(1,151)	(3,708)	(3,329)	(2,953)
Cash and short-term investments	948	5,216	5,972	5,630	7,940	8,761
Gross available cash	1,151	5,898	5,498	8,093	7,833	8,761
Debt	12,085	8,763	9,745	11,536	14,189	13,267
Common equity	8,997	9,742	14,014	17,099	19,013	22,921
Adjusted ratios						
EBITDA margin (%)	14.8	10.6	8.5	13.6	13.3	13.9
Return on capital (%)	7.6	10.3	15.9	18.2	11.0	10.1
EBITDA interest coverage (x)	7.8	10.8	11.7	6.8	4.2	4.6
FFO cash interest coverage (x)	12.8	10.6	13.9	10.6	6.2	6.8
Debt/EBITDA (x)	4.1	2.6	2.1	1.9	3.1	2.8
FFO/debt (%)	20.6	32.9	43.0	40.2	21.5	30.6
OCF/debt (%)	9.8	87.2	19.3	7.9	18.5	32.1
FOCF/debt (%)	(6.9)	61.8	(7.5)	(28.4)	(17.9)	(16.1)
DCF/debt (%)	(10.5)	55.1	(11.8)	(32.1)	(23.5)	(22.3)

Reconciliation Of EnBW Energie Baden-Wuerttemberg AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2025									
Company reported amounts	19,813	12,901	34,390	4,676	2,254	538	4,784	4,528	789	6,827
Cash taxes paid	-	-	-	-	-	-	(348)	-	-	-
Cash interest paid	-	-	-	-	-	-	(460)	-	-	-
Lease liabilities	1,415	-	-	-	-	-	-	-	-	-
Intermediate hybrids (debt)	(1,246)	1,246	-	-	-	(31)	31	31	31	-
Postretirement benefit obligations/ deferred compensation	1,034	-	-	-	-	173	-	-	-	-
Accessible cash and liquid investments	(8,761)	-	-	-	-	-	-	-	-	-
Capitalized interest	-	-	-	-	-	268	(268)	(268)	-	(268)
Capitalized development costs	-	-	-	(55)	(17)	-	-	(55)	-	(55)
Dividends from equity investments	-	-	-	163	-	-	-	-	-	-
Asset-retirement obligations	1,012	-	-	-	-	103	-	-	-	-
Nonoperating income (expense)	-	-	-	-	540	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	17	-	-
Noncontrolling/ minority interest	-	8,774	-	-	-	-	-	-	-	-
Revenue: other	-	-	(66)	(66)	(66)	-	-	-	-	-
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	(16)	(16)	-	-	-	-	-
EBITDA: Derivatives	-	-	-	82	82	-	-	-	-	-
D&A: Impairment charges/ (reversals)	-	-	-	-	651	-	-	-	-	-
D&A: other	-	-	-	-	66	-	-	-	-	-
Capex: customer contributions	-	-	-	-	-	-	-	-	-	(117)
Total adjustments	(6,546)	10,020	(66)	108	1,240	513	(730)	(275)	31	(440)

Reconciliation Of EnBW Energie Baden-Wuerttemberg AG Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
S&P Global Ratings adjusted	**Debt**	**Equity**	**Revenue**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from Operations**	**Operating cash flow**	**Dividends**	**Capital expenditure**
	13,267	22,921	34,324	4,784	3,494	1,051	4,054	4,253	819	6,387

Liquidity

We assess EnBW's liquidity as adequate because we forecast that its sources will exceed uses by more than 1.7x over the 12 months from June 30, 2026. We note that EnBW's liquidity was exposed to large intrayear working capital swings at its trading activities in the past. However, we think that EnBW has prudent risk management policies in place, consistent with an adequate liquidity assessment.

EnBW's proven diverse access to capital markets and good banking relationships support our assessment. In May 2026, EnBW upsized its sustainability-linked syndicated credit facility to €2.5 billion from €2.0 billion and extended its maturity by one year to July 2031. It also has a €2 billion commercial paper program in place.

Principal liquidity sources	Principal liquidity uses
• Cash and liquid investments of about €7.4 billion; • Undrawn committed credit lines totaling nearly €6.4 billion, maturing beyond the next 12 months; and • Forecast cash FFO of about €3.3 billion-€3.8 billion.	• Debt maturities of about €900 million over the next 12 months; • Moderate working capital outflows of about €200 million-€300 million; • Total gross capex of €7.5 billion-€7.8 billion; and • Dividend distributions of about €800 million-€1 billion.

Covenant Analysis

Requirements

We understand that there are no restrictive covenants in the group's debt documentation.

Environmental, Social, And Governance

Environmental factors are neutral in our credit rating analysis of EnBW.

EnBW's carbon footprint is significantly larger than that of the European peers such as Iberdrola, Verbund, EDP, and Vattenfall. We note that EnBW intends to fully shut down its remaining 1.4 GW coal fleet (as of September 2026) by 2028 and replace them with new dispatchable combined cycle gas turbine power plants, which would also be built to run on renewable gases when available. The disposal of the company's stake in the Lippendorf lignite power plant to co-owner EP Energy Transition in 2025 signals EnBW's commitment and progress toward the goal of coal phase-out by 2028. This mitigates the company's exposure to the regulatory and social scrutiny related to running coal power plants. We also think it will provide EnBW with cost effective power generation to continue supplying its customers over the longer term.

EnBW has an ambitious target to adhere to the 1.5 degree Celsius scenario, including its accelerated path to decarbonize its business, which it published in March 2023. The plan entails transforming its power generation mix by reducing scope 1 and 2 emissions by 50% by 2027, by 70%-75% by 2030, and by 83% by 2035, with 2018 as the comparison base year. EnBW targets net-zero for Scope 1 and 2 emissions by 2040 and has further committed to achieving net-zero across the value chain (including Scope 3) by 2050. Although this depends on the successful transformation of the group's power generation mix, we think EnBW has a good track record of delivering its strategy on or ahead of time, which leads us to expect that its transformation will position it among the strongest integrated European utilities in the long term.

Government Influence

We consider EnBW to be a government-related entity (GRE). The rating on EnBW reflects our assessment of EnBW's SACP at 'bbb+' and our opinion that there is a moderate likelihood that the State of Baden-Wuerttemberg would provide timely and sufficient extraordinary support to EnBW in the event of financial distress. Our assessment of the likelihood of support results in a one-notch uplift to our rating on EnBW. This is based on our assessment of EnBW's:

- Strong link with Baden-Wuerttemberg, based on the state's 47% ownership, which in our view is unlikely to reduce over the next few years. The state has publicly stated that it is a long-term investor in the group; and
- Limited role, notwithstanding the group's provision of essential services in Baden-Wuerttemberg. This reflects that the group largely operates in a liberalized energy market and many of its services could be provided by a private-sector company or another GRE.

Issue Ratings--Subordination Risk Analysis

Capital structure

As of June 30, 2026, EnBW's financial debt of €19.4 billion mainly consisted of €11.9 billion senior unsecured bonds, €3.5 billion of bank liabilities, and €500 million of other financial liabilities. In addition, EnBW has €3.5 billion of hybrid bonds outstanding.

Analytical conclusions

We rate EnBW's senior debt 'A-', in line with the issuer credit rating.

We arrive at our 'BBB-' issue rating on the group's hybrid debt by notching down from our 'bbb+' SACP on EnBW, because we do not anticipate that the moderate likelihood of extraordinary support from EnBW's shareholders would extend to its hybrid instruments.

In addition, the two-notch difference from the SACP reflects our notching methodology, which calls for deducting the following:

- One notch for subordination because our long-term issuer credit rating on EnBW is investment-grade (that is, higher than 'BB+'); and
- An additional notch for payment flexibility, to reflect that EnBW can indefinitely defer interest payment without triggering an event of default.

Rating Component Scores	
Foreign currency issuer credit rating	**A-/Negative/A-2**
Local currency issuer credit rating	**A-/Negative/A-2**
Business risk	**Strong**
Country risk	Very Low
Industry risk	Low
Competitive position	Strong
Financial risk	**Significant**
Cash flow/leverage	Significant (medial volatility table)
Anchor	**bbb**
Modifiers	
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Adequate (no impact)
Management and governance	Neutral (no impact)
Comparable rating analysis	Positive (+1 notch)
Stand-alone credit profile	**bbb+**
Related government rating	**AA+/Stable/A-1+**
Likelihood of government support	**Moderate (+1 notch)**

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, Oct. 13, 2025
- Criteria | Corporates | General: Sector-Specific Corporate Methodology, July 7, 2025
- Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities, Jan. 7, 2024
- Criteria | Corporates | General: Corporate Methodology, Jan. 7, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010

Related Research

- EnBW Energie Baden-Wuerttemberg AG Outlook Revised To Negative On Weakening Credit Metrics; 'A-/A-2' Ratings Affirmed, July 28, 2026
- Industry Credit Outlook Update Europe: Utilities, July 16, 2026
- EnBW Energie Baden-Wuerttemberg Proposed €1 Billion Hybrid Notes Rated 'BBB-'; Intermediate Equity Content Assigned, Feb. 3, 2026
- Bulletin: EnBW Withdrawal From Two U.K. Offshore Wind Farms Leaves Material Sunk Costs But Is Absorbed At Current Rating, Jan. 20, 2026

Ratings Detail (as of September 23, 2026)*

EnBW Energie Baden-Wuerttemberg AG	
Issuer Credit Rating	A-/Negative/A-2
Junior Subordinated	BBB-
Issuer Credit Ratings History	
28-Jul-2026	A-/Negative/A-2
30-Mar-2023	A-/Stable/A-2
15-Sep-2022	A-/Negative/A-2

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.