The macroeconomic environment

In 2023, global growth proved more resilient than expected at the beginning of the year, thanks to a faster-than-expected reduction in inflation in many economies, supported by the gradual normalization of energy commodity prices and the gradual easing of supply chain bottlenecks. Many governments' energy support programs also helped mitigate the impacts of the turbulence on household incomes and support productive activity in many economies.

However, the results differed among countries: growth was solid in the United States, sustained by the recovery in public and private spending, and in Latin America, where inflation slowed and political and labor market conditions improved. Conversely, much of the euro area experienced an abrupt economic slowdown, reflecting both the restrictive monetary policy stance adopted by the European Central Bank in order to counter inflationary pressures and weak foreign demand, also accompanied by challenging geopolitical developments in the Middle East.

With regard to the energy industry, in 2023, the European gas market displayed a significant downward trend in prices, thanks to high levels of storage and declining demand, with the average reduction in TTF (Title Transfer Facility) prices exceeding 65% compared with 2022, reaching about €35/MWh in the last quarter of 2023. Coal-fired generation also declined, primarily discouraged by the rise in CO_2 prices within the ETS (Emissions Trading System), despite coal prices plunging by 55.5% to an average of $129/ton.

Compared with 2022, electricity prices in Italy and Spain fell sharply, reflecting the decline in energy commodity prices and, in part, growing renewables generation. More specifically, electricity prices in Italy decreased by 58% compared with the previous year, while in Spain they dropped by 48%.

In the metals sector, economic weakness adversely impacted the prices of aluminum and copper, with declines of 16.6% and 3.8% respectively compared with 2022. Metals associated with renewable energy technologies, such as lithium and polysilicon, experienced an even steeper slide in prices as demand contracted.

Performance

Thanks to management actions and our focus on the core business, the Group closed the 2023 financial year having achieved our full-year targets as revised upwards in the 3rd Quarter and announced to the market, with ordinary EBITDA of €22.0 billion and an ordinary net profit of €6.5 billion, up 12% and about 21%, respectively, compared with the previous year. The dividend that will be proposed to shareholders for 2023 amounts to €0.43 per share, 7.5% higher than that for 2022. In terms of cash generation, FFO in 2023 amounted to about €14.8 billion, up more than 60% compared with 2022. Net debt is equal to €60.2 billion, with the net debt to ordinary EBITDA ratio improving from 3.1x to 2.7x. This last indicator does not yet reflect the effects of the proceeds generated by divestments, already announced to investors and subject to binding agreements between the parties, carried out in 2023 as part of the extraordinary plan to reduce the Group's financial debt. Recall that the Plan approved in 2022 to restore a sustainable and balanced Group financial structure provided for the sale of Group investments and other assets of over €12 billion in 2023 alone.

Main events

In 2023, the Group confirmed its hard-won technological leadership in renewables generation and distribution grids.

On the power generation front, in 2023 Enel built out about 5.3 GW of new renewables capacity (including 934 MW of battery storage), reaching a total of approximately 63 GW of installed capacity and a volume of renewables generation of 140 TWh/year. The capacity we operate is also supported by a pipeline of projects in the advanced development phase of up to 160 GW.

In the power distribution segment, our strong commitment to modernizing and digitalizing electricity grids continues, both to increase their resilience to increasingly extreme and frequent climate events and to make them ready to play the role of enablers of the energy transition: during the year, Enel Grids activated almost 540,000 new

producer and prosumer[1] connections globally, adding about 8 GW of distributed renewables capacity connected to our grids, reaching a total of some 68 GW of capacity from approximately 2 million producer and prosumer connections.
The development of a portfolio of products dedicated to residential consumers, businesses and municipalities also confirmed the Group's leading role in fostering the energy transition and the electrification of consumption.
In 2023, Enel X Global Retail operated at full capacity with a new, more tightly integrated structure to reap the benefits of bundled packages of electricity, gas, electric mobility, energy efficiency and ultra-fast connectivity services. An example of this is the "Formidabile" offer, launched in Italy at the end of October 2023 and in Spain at the beginning of 2024. Our commitment to improving the customer experience also continues: in 2023 commercial complaints decreased by 12%[2] compared with the previous year, and in February the German Institute for Quality and Finance awarded Enel Energia its "Nr. 1 in Service" quality seal based on customer satisfaction in the electricity and gas sector, with a score of 74.2%, well above the category average of 55.9%.

The new Enel Global Service Function, which groups together Global Information & Communication Technologies, Global Procurement, Global Customer Operations and the newly established Workforce Evolution, continued the Group's digital transformation path, focusing on solutions and advanced technologies, such as artificial intelligence and quantum computing solutions. Thanks in part to the key skills we have developed internally, to date we have over 500 traditional and generative artificial intelligence applications in operation or in the development phase, mainly to support the Generation, Distribution and Retail businesses. Furthermore, the Workforce Evolution unit will promote the evolution of employee skills consistent with these new technological tools and with the strategic repositioning of the Group, in order to foster greater internal control over higher value activities and guarantee our distinctive positioning in the markets and sectors in which the Group is present.
The Group continues to follow the decarbonization roadmap in line with limiting global warming to below 1.5 °C. In 2023, absolute direct and indirect greenhouse gas emissions along the Group's entire value chain, equal to 94.3 MtCO2eq, declined by 26.3% compared with 2022, and remain in line with the targets for 2030 and 2040 certified by the Science Based Targets initiative (SBTi).
The financial instruments employed by the Group are also closely linked to sustainability objectives. In 2023, Enel Finance International NV issued euro-denominated sustainability-linked bonds in the amount of €1.5 billion, using multiple key performance indicators (KPIs) to further strengthen Enel's commitment in accelerating the energy transition. For the first time, in fact, a tranche of a publicly placed bond involved the combination of a KPI linked to the EU taxonomy with a KPI linked to the United Nations Sustainable Development Goals (SDGs), while the other tranche of the bond was linked to two KPIs associated with the Group's full decarbonization trajectory through the reduction of direct and indirect greenhouse gas emissions.
These bond issues have enabled us to achieve a ratio between the sources of sustainable financing and the Group's total gross debt of approximately 64%, a level that will rise further over the period of the Plan.
In parallel, in order to reduce debt and strengthen the Group's financial structure, our new management team has revised the divestment plan referred to earlier with a view to portfolio rotation focused on maximizing the value of assets. In this context, the Argentine thermal generation companies Enel Generación Costanera SA and Inversora Dock Sud SA were sold during the year, and agreements were signed for the disposal of the Peruvian electricity distribution and supply company Enel Distribución Perú SAA, the advanced energy services company Enel X Perú SAC and the electricity generator Enel Generación Perú SAA. The divestment of all the investments held by the Group in Romania was also completed. Asset rotation transactions were also completed, including the sale of a portfolio of photovoltaic plants in Chile (416 MW) and the entire geothermal portfolio in the United States, as well as several small solar plants in that country. Finally, in line with the strategy presented to investors on our stewardship approach in non-core countries, acting through the subsidiary Enel Green Power SpA we completed the sale of 50% of the two companies that own all of the Group's renewables operations in Australia to INPEX Corporation, while the sale of 50% of Enel Green Power Hellas to Macquarie Asset Management was finalized.

(1) "Prosumer", a contraction of "producer" and "consumer", is an individual or firm that not only consumes goods and services but also produces them, such as, for example, by installing photovoltaic panels to generate electricity.
(2) Reduction in new complaints for each 10,000 customers.

Strategy and forecasts for 2024-2026

Short-term global uncertainties have forced electricity companies to increase their flexibility and improve the visibility and predictability of prospective returns.
In this context, over the 2024-2026 Plan period the Enel Group plans to focus on:

- profitability, flexibility and resilience through selective capital allocation aimed at optimizing the Group's risk/return profile;
- efficiency and effectiveness as drivers of the Group's operations, based on process simplification, a leaner organization with defined responsibilities and a focus on core geographies in which the Group has an integrated position (Italy, Spain, Brazil, Chile, Colombia and the United States), as well as boosting operational efficiency in order to maximize cash generation and offset inflationary pressures and the higher cost of capital;
- financial and environmental sustainability to pursue value creation with a balance and solid financial structure, addressing the challenges of climate change.

In this scenario, regulated businesses will be at the center of the Group's strategy, with a concentration of investment in geographical areas with a clear and predictable regulatory framework as well as stable macroeconomic environments. Investment decisions on renewables will be more selective, seeking to achieve a positioning that maximizes returns and mitigates risks at the same time. Finally, the Group plans to optimize its customer portfolio and end-to-end processes, enhancing efficiency in customer acquisition and management, improving customer loyalty through bundled offers and promoting the electrification of energy consumption. The generation and retail businesses will be managed in a more integrated manner, with a flexible approach to sourcing strategies in order to maximize profitability along the entire value chain.
In the 2024-2026 period, the Group's gross investments will amount to €35.8 billion, of which €18.6 billion will be allocated to Grids, €12.1 billion to Renewables and €3 billion to Customers.
Thanks to the implementation of a less capital- and risk-intensive business model, investments will have a smaller cash requirement, with expected net investments of about €26.2 billion thanks to access to European grants and financing (up to €3.5 billion) and the use of a diversified co-investment model for renewables projects (a total of about €6.1 billion).
Investments in distribution grids will increase their efficiency, flexibility and resilience: more than half will be allocated to grid strengthening, remote operation, automation and digitalization projects in order to deliver high standards of service quality and reduce power losses. In addition to managing assets, the remainder will be allocated to expanding hosting capacity[3] to meet customer demand for new connections and encourage the integration of distributed generation from renewable resources, all to support the energy transition and the electrification of final energy consumption.
Investments in renewables will add 13.4 GW of new capacity, bringing the Group's total to 73 GW (including energy storage systems) by 2026, with the share of zero-emissions generation growing from 75% to about 86%.
The push for innovation will continue to be a strategic driver: in generation, it will improve plant performance through the introduction of new technologies along the entire value chain. The use of repowering[4] and automation is also expected to increase the efficiency of plants and processes, as will testing of new battery technologies and energy storage systems, whose role will be increasingly important in ensuring the flexibility of electrical systems. In grids, digitalization, new automation models and the introduction of new technologies will enable new approaches to remuneration.

Finally, the Group will continue to pursue the evolution of new technologies that will mature over the medium and long term, such as hydrogen and new small and modular nuclear fission reactors or fusion power.
On the environmental sustainability front, the Group intends to continue reducing its direct and indirect greenhouse gas emissions by achieving the zero-emissions target for all Scopes by 2040, in line with the Paris Agreement and with the 1.5 °C scenario, as certified by the SBTi.
Group ordinary EBITDA is expected to increase to between €23.6 and 24.3 billion in 2026, with a CAGR (Compound Average Growth Rate) of approximately 5%, while our ambition for Group ordinary profit is a rise to between €7.1 and 7.3 billion in 2026, with a CAGR of about 6% compared with 2023, net of differences in scope.
The organic and structural path of reducing the Group's net debt will enable us to achieve a ratio of net debt to EBITDA of about 2.3 by 2026, down from over 3 at the end of 2022.
Finally, as regards shareholder remuneration, the Group has decided to adopt a simple and attractive dividend policy with a minimum fixed DPS (dividend per share) of €0.43 for the 2024-2026 period, with a potential increase up to a payout of 70% of ordinary profit if cash neutrality is achieved.

(3) Capacity of the system to carry additional power.
(4) Upgrading a plant in order to increase efficiency, capacity and output.