Rating Report
Acciona, S.A.

DBRS Morningstar
October 2022

Giuseppe Fresta
Senior Vice President
European Corporate Finance
+34 91 903 6526
giuseppe.fresta@dbrsmorningstar.com

Eric Eng
Senior Vice President
Infrastructure, Power & Utilities
+1 416 597-7578
eric.eng@dbrsmorningstar.com

Ana Relanzon
Assistant Vice President
European Corporate Finance
+34 66 722 9790
ana.relanzon@dbrsmorningstar.com

Ratings

Issuer	Debt	Rating Action	Rating	Trend
Acciona, S.A.	Issuer Rating	Confirmed	BBB	Stable
Acciona, S.A.	Short-Term Issuer Rating	Confirmed	R-2 (middle)	Stable
Acciona Financiación Filiales, S.A.	Euro Medium Term Notes	Confirmed	BBB	Stable

On 1 September 2022, DBRS Ratings GmbH (DBRS Morningstar) confirmed Acciona S.A.'s (Acciona or the Group) Issuer Rating at BBB, as well as its Short-Term Issuer Rating at R-2 (middle). Concurrently, DBRS Morningstar confirmed the rating on Acciona Financiación Filiales, S.A.'s (AFF) Euro Medium Term Notes (EMTN) programme at BBB. All trends are Stable.

Acciona's ratings are largely based on Corporación Acciona Energías Renovables's (CAER or the Company) ratings and an internal assessment of the Group's Infrastructure Division, adjusted for structural subordination, leverage at the nonenergy business level, and potential mitigant factors. Over the forecast horizon to 2024, excluding the Group's other activities, CAER is expected to account for approximately 80% of Acciona's aggregated EBITDA, with the remaining 20% mainly generated by the Group's Infrastructure Division.

The rating confirmations and Stable trends consider DBRS Morningstar's view that (1) Acciona retains a substantial ownership in CAER (currently rated BBB (high) with a Stable trend), is committed not to lower its stake to below 70% (currently 82.663%), and continues to benefit from substantial EBITDA and cash flow contributions from CAER after the initial public offering; (2) the credit quality of the Group's Infrastructure Division, in particular, construction activities, is weaker than the Group's regulated and nonregulated generation businesses and a limiting/pressuring factor on the Group's ratings; (3) credit metrics at Acciona remain solid and continue to support the BBB ratings; (4) although a material amount of debt has been transferred to and will be issued by CAER, Acciona's ratings are confirmed at one notch lower than CAER's ratings, reflecting the structural subordination of Acciona's debt compared with CAER's debt; (5) the ratio of Acciona's modified nonconsolidated debt with respect to its modified nonconsolidated capital structure will decrease to the 20% to 30% level over the forecast horizon, not requiring further negative adjustments; and (6) the liquidity position of the Group is considered to be moderately positive, with Acciona having cash and cash equivalents of approximately EUR 2.9 billion as of 30 June 2022, availability under its banking lines, and access to the debt and equity capital markets.

Given Acciona's current capital expenditure (capex) plan, project development risk, and financing strategy at the CAER level, as well as the weaknesses generated in the Infrastructure Division by the current supply chain disruptions and inflationary pressure, a positive rating action in the medium term is considered very unlikely. On the other hand, a negative rating action could occur as consequence of (1) a change in business mix that materially increases the EBITDA contribution from the Group's construction activities; (2) a slower-than-expected recovery in the financial performance of nonenergy activities by 2024; (3) a change in CAER's ownership to below the 70% level; (4) significant project delays and cost overruns associated with CAER's aggressive expansion plan; (5) a material increase in CAER's exposure to commodity risk; (6) a decline in credit metrics to below DBRS Morningstar's required levels; or (7) a deterioration in the Group's liquidity position, including reduced access to the bank, debt, and equity capital markets.

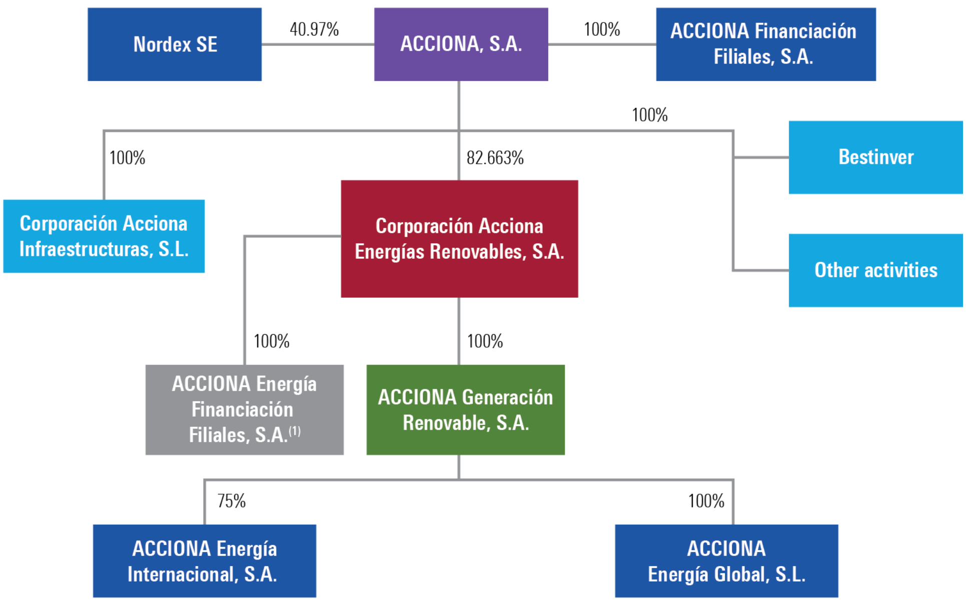
Financial Information

Acciona, S.A.	**LTM 30 June**	**31 Dec.**	**31 Dec.**	**31 Dec.**	**31 Dec.**
Consolidated Key Credit Metrics(5)	**2022**	**2021**	**2020**	**2019**	**2018**
Cash flow-to-net debt (%)(1) (2)	26.1	25.1	21.7	20.5	25.8
Net debt-to-EBITDA (times)(2) (3)	2.7	3.0	4.3	3.8	3.5
Adjusted EBITDA gross interest coverage (times)(3) (4)	8.6	6.3	4.5	5.4	3.8
Adjusted EBIT gross interest coverage (times)(3) (4)	5.8	3.8	2.3	3.2	2.0
Adjusted EBITDA margin (%)(3)	18.3	17.1	15.6	18.3	16.1
Net debt-to-capital (%)(2)	45.8	44.7	56.8	60.0	56.2

(1) Operating cash flow, excluding working capital movements.
(2) Net debt is calculated as gross debt (including lease adjustments and nonrecourse debt) minus nonoperating cash.
(3) EBITDA and EBIT include results from entities accounted with the equity method.
(4) Interest expense includes capitalised interests.
(5) DBRS Morningstar harmonised its calculation of the key credit metrics with that of Corporacion Acciona Energias Renovable, S.A..

Issuer Description

Acciona is a global company that owns and operates three main business lines: (1) Energy, which is carried out through CAER (82.663% owned) and includes renewable generation assets in Spain and internationally; (2) Infrastructure, which is carried out through Corporación Acciona Infraestructuras, S.L. (CAI; 100% owned) and consists of the construction business, concessions, water, and services; and (3) Other Activities, which are carried out through wholly owned subsidiaries providing services such as asset management, real estate development, and electric mobility. The Group also has a 40.97% stake in wind turbines manufacturer, Nordex SE (Nordex).



(1) Financing company: Debt is unconditionally and irrevocably guaranteed Corporación ACCIONA Energías Renovables, S.A. (EUR 2.5bn Syndicated Loan; Up to EUR 3.0bn EMTN; Up to EUR 2.0bn ECP)

Source: Acciona, DBRS Morningstar.

AFF is the Group's main financing vehicle and borrower of a EUR 800 million syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme (increased from up to EUR 2.0 billion in 2022) and an up to EUR 1.5 billion Euro Commercial Paper (ECP) programme (increased from up to EUR 1.0 billion in 2022). The up to EUR 1.0 billion ECP programme directly under Acciona has been discontinued. Acciona unconditionally and irrevocably guarantees all AFF debt. Acciona Energia Financiacion Filiales S.A. (AEFF) was created separately to support CAER's initial public offering (IPO) and is CAER's main financing vehicle and borrower of a EUR 2.5 billion syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme and an up to EUR 2.0 billion ECP programme. Following the IPO, CAER will operate independently from its parent company from a financial point of view. CAER unconditionally and irrevocably guarantees all AEFF debt. All debt issued by Acciona and AFF will be nonrecourse to CAER and its subsidiaries and, similarly, all debt issued by AEFF will be nonrecourse to Acciona and AFF.

Rating Considerations

Strengths

1. Stable cash flow from regulated generation assets
Acciona´s business risk profile is supported by CAER's stable cash flows from regulated generation assets in Spain, accounting for approximately 25% of the Group's EBITDA. The regulatory regime in Spain has been stable since 2014, providing a reasonable return on capital investment and floor-price protection against the Spanish wholesale power price volatility. The current six-year regulatory period runs from 2020 to 2025. However, DBRS Morningstar notes that the Spanish government has launched a series of initiatives aimed at reducing the average electricity bill for consumers (e.g., a gas clawback), including changes to the current Spanish regulatory regime, thus increasing the regulatory risk perception. In addition, DBRS Morningstar notes that the European Commission has recently proposed to cap the profits of renewable energy generators, potentially increasing the regulatory risks for companies such as CAER.

2. International generation assets under long-term contracts
Acciona´s business risk profile is also supported by CAER's long-term contracts for its international generation assets, accounting for approximately 50% of the Group's EBITDA. Such contracts have an average remaining duration of approximately nine years with solid credit counterparties, mostly utilities and governmental organisations in 16 countries. Long-term contracts significantly mitigate the risk associated with power-price volatility. In addition, nonregulated renewable generation output in Spain is generally sold under shorter-term contracts of around 12 months, but the Spanish power market has lately shown an appetite for longer contract terms. For example, the Company has recently closed 2.3 TWh of long-term supply contracts in Spain starting in 2023-2024, mostly with a duration of 10 years.

3. Strong construction, operational, and technical expertise
Acciona is a strong global player in its construction businesses, particularly in its heavy civil works, and is also a leading provider of infrastructure maintenance in concessions and water services. The Company's in-depth technical expertise and experience in the construction of roads, bridges, railways, tunnels, ports, and water works provide it with competitive advantages in these high barrier areas. Over the last 10 years, Acciona has completed more than 5,300 kilometres (km) of roads, 1,140 viaducts, and 600 bridges. It also completed more than 1,700 km of highspeed railway lines and over 150 km of tunnels as well as more than 50 ports and more than 50 dams in 12 countries.

4. Geographic and business diversification
Acciona's operations are well diversified in terms of geography and businesses. In particular, through CAER, the Group is a pure-play leader in the renewable energy sector with a fully integrated business model and high diversification across geographies, regulations, and technologies, which include onshore wind, solar photovoltaic (PV), hydraulic, concentrated solar power, biomass, and storage. Most of CAER's assets are located in European Union and OECD countries with low to modest political risk. Future expansion in the 2021–24 period will be largely in the U.S., Australia, and Spain, and potentially Brazil. Expansion in Chile and Mexico is expected to

slow down. The Group's Infrastructure Division mainly includes activities in construction, water, and concessions (roads, rail, ports, and hospitals). The Group's Other Activities include asset management/brokerage and property development.

5. Stable cash flow from service activities in water, concessions, and other services
A significant portion of revenues generated in water, concessions, and other services are from contracts with cost-plus margins. Revenues from concessions are under fixed payments with no or minimal exposure to demand risk. Contracts are long term, between 20 and 30 years (more than 25 years on average), reducing the frequency of recontracting risk. Cost pass-through contracts partially mitigate the exposure to rising operating costs, which supports cash flow stability.

6. Substantial infrastructure backlog for growth
The Company has good future cash flow growth prospects with a backlog of approximately EUR 20.6 billion as of June 2022, the majority of which is in engineering, procurement, and construction projects. Recent projects awards include Line 11 of the Madrid underground and the Palma de Mallorca airport expansion in Spain, La Serena Hospital in Chile, and the MacIntyre Wind Farm in Australia. This large backlog indicates solid demand for Acciona's services and its future construction activities.

Challenges

1. Capex intensity and project development risk
Acciona, through CAER, has an aggressive expansion plan to increase its total installed capacity to 20.0 gigawatts (GW) by 2025 from 10.7 GW in 2020. This expansion plan requires substantial capex and external funding over the next few years and entails a certain degree of project development risk. In DBRS Morningstar's forecast, CAER's total capex is at around EUR 1.2 billion a year for 2022 and 2023. CAER expects that, as a pure-play leader in the renewable energy sector and as a publicly listed company, it will have access to a lower cost of capital—both in terms of debt and equity—to fund its pipeline independently from its parent company, Acciona. However, there is no assurance that CAER will be able to obtain external funds at reasonable terms and rates and the Company could be subject to project development risks, such as project delays and cost overruns.

2. Nonregulated generation assets are exposed to long-term price volatility
Until 2021, approximately 22% of the Company's revenues were uncontracted/nonregulated, half of which were covered by hedges and the other half exposed to merchant power prices. However, on the back of the high commodity price environment, CAER will increase the proportion of merchant exposure, especially in 2022 and 2023. In general, CAER manages this risk by implementing substantial hedges, mainly forward and short-term contracts; however, the risk remains when hedges and short-term contracts expire and the power prices in the new hedges and short-term contracts are lower. Generally, CAER's short-term contracts are usually around 12 months, with some contracts as long as 36 months. In the future, the nonregulated generation industry in Spain is expected to engage in longer contracts with industrial and commercial customers, which could mitigate CAER's exposure to long-term price volatility. The Company's has already been replacing a portion of maturing regulated volumes in Spain with 10-year PPA contracts.

3. Exposure of construction activities to potential cost overruns and long lead times

In general, estimating the costs of complex projects with long lead times is difficult and lengthy project delays could be costly. Management has put in place systematic risk management and a disciplined project selection process to mitigate these risks, including cost pass-through contracts, unitary price contracts (no volume risk), and conditional contracts with the ability to negotiate price at a later stage. However, challenges remain with respect to the overall change in economic conditions, project financing, and the counterparties' credit quality. Projects with fixed-price contracts remain exposed to potential cost overruns.

4. Operational risk

Despite a strong track record, Acciona is subject to operational risks, such as unplanned outages and operational disruptions both in its Energy and Infrastructure Divisions. Currently, the Group has maintained a solid track record of operational efficiency and reliability. Nevertheless, any lengthy disruptions and unplanned outages in the future would negatively affect Acciona's credit metrics.

5. Currency and interest risk

As a result of Acciona's international operations, a significant part of revenues is generated outside the euro and U.S. dollar currency markets, potentially leading to currency fluctuation risk. Furthermore, the Group's bank borrowings, particularly short-term borrowings, are subject to the risk of rising interest rates. Interest rate risk is particularly material to the funding of infrastructure projects, concession contracts, and the construction of wind farms or solar plants. The Company manages these risks through hedging for currency and interest rates, increasing debt-borrowing terms, and maintaining significant liquidity. While hedging is effective for a certain time, it only helps to reduce but not eliminate currency and interest rate risks.

6. Intense competition

Most of the Company's construction, concessions, services, and nonregulated power renewable generation operations are highly competitive. Margins in the construction business are generally thin. The Company must maintain and rely on its financial strength, operational and construction reputation, technological expertise, and experience as well as knowledge of local laws and regulations to compete.

Earnings and Outlook

Income Statements

	LTM 30 June	Year ended 31 December			
(EUR millions)	2022	2021	2020	2019	2018
Revenues	10,433	8,667	7,271	7,875	7,971
Cost of goods sold	-2,600	-1,870	-2,023	-2,005	-2,126
Gross margin	**7,833**	**6,797**	**5,248**	**5,870**	**5,845**
Selling, general & administrative	-6,049	-5,408	-4,198	-4,514	-4,600
Results from equity-accounted entities	120	94	82	81	42
EBITDA	**1,904**	**1,483**	**1,133**	**1,437**	**1,287**
Depreciation	-609	-587	-557	-586	-610
EBIT	**1,296**	**896**	**576**	**852**	**677**
Financial income	44	55	37	33	49
Interest expense	-223	-235	-254	-265	-342
Other income / expenses	-325	-141	158	-75	125
Earnings before taxes	**792**	**575**	**517**	**545**	**509**
Tax expense	-245	-171	-100	-147	-136
Minority Interest	-161	-72	-30	-46	-44
Net income	**385**	**332**	**387**	**352**	**328**

Summary

- In 2021, Acciona reported strong growth across all profit lines. The most significant development was the IPO of Acciona Energía, a key strategic milestone in the Group's history. This transaction will enhance the Group's growth potential, not only in energy, but also in infrastructure activities. The Group's results for the last 12 months (LTM) ended 30 June 2022 were also positive.
- In 2021, the Group’s revenues (including other revenue) increased by 25.0% to EUR 8,104 million. By business area, Energy and Infrastructure revenues rose by 39.8% and 24.0%, respectively. Revenues from Other Activities increased by 10.8%, with a notable performance from Bestinver (+12.1%) and a higher contribution from Urban Mobility, while Property Development's revenues dropped by 4.7% due to less housing units delivered. The LTM revenues ended 30 June 2022 increased to EUR 10,433 million, mainly driven by the significant growth in Acciona Energía as a result of the high commodity price environment across the Company’s markets.
- In 2021, the Group's EBITDA, including the contribution of assets consolidated by the equity method whose activity is similar to that of the Group, increased by 30.9% to EUR 1.483 million.
    - The Energy Division experienced a 25.1% growth in EBITDA to EUR 1.086 million, mainly because of the strong performance in both the Spanish and International Generation businesses, despite generally weak output. In Spain, profitability grew due to the hydro levy refund and the faster payback of regulatory value while the wholesale portion of the business was highly hedged. The International fleet captured high prices with the new capacity that began operating in the United States (State of Texas).
    - The Infrastructure Division experienced a 51.0% improvement in EBITDA to EUR 323.0 million, despite the lower contribution from the concessions area due to the divestment of a portfolio of Spanish concessions made in Q4 2020 (the transaction was completed in 2021). Within this area, DBRS Morningstar highlights the performance of the construction business, reaching an EBITDA of EUR 163 million in 2021 compared with EUR 50 million in 2020, which was affected by the Coronavirus Disease (COVID-19) pandemic.

    - Related to Other Activities, EBITDA increased by 45.0% in the Property Development activity (EUR 27 million) and by 7.1% in Bestinver, with assets under management (AUM) reaching EUR 7,046 million as of December 2021, an approximate EUR 700 million net increase versus December 2020.
    - The Group's positive results in H1 2022 were also reflected in an increased EBITDA in the LTM ended 30 June 2022 of EUR 1,904 million.
- In 2021, interest expenses (including capitalised interests) amounted to EUR 242 million and slightly decreased to EUR 226 million during the LTM ended 30 June 2022.
- In 2021, net income decreased by 14.2% to EUR 332 million, due to a negative contribution from the Group's stake in Nordex. The net income in the LTM ended 30 June 2022 increased to EUR 385 million.

Outlook

- DBRS Morningstar expects that earnings generation in the Energy Division will increase in 2022 and 2023, mainly thanks to the very high average generation prices, especially in Spain, and to CAER's expansion plan. However, DBRS Morningstar notes that the Spanish government's measures aimed at reducing the average electricity bill and the proposed profit cap of renewable energy generators will have an impact on the Company's profitability (limited in 2022 but more material in 2023), although the benefits of a high commodity price environment more than offset these measures. While nonregulated power generation in Spain and internationally is protected by long-term contracts and the use of hedges, regulated power generation in Spain is subject to a banding mechanism. The current and projected high generation prices, although boosting profitability, have been accelerating the payback of the regulatory net asset value associated with its regulated activities in Spain. As such, DBRS Morningstar expects the proportion of revenues generated by the Company's regulated activities to decrease going forward.
- At the end of June 2022, the total Infrastructure backlog increased by 13.7% to EUR 20,580 million compared with December 2021 and the construction and water project backlog stood at EUR 15,378 million, 12.1% higher than in December 2021, both reaching a new all-time high. New projects worth EUR 4.553 million were awarded during the first half of the year, EUR 3,880 million of which belong to construction and water projects, including Line 11 of the Madrid underground (EUR 176 million) and the Palma de Mallorca airport expansion (EUR 199 million) in Spain, La Serena Hospital in Chile (EUR 134 million), and the MacIntyre Wind Farm in Australia (EUR 371 million). The solid backlog provides Acciona with a certain degree of earnings and cash flow visibility.

Cash Flow Profile

Cash Flow Statement

	LTM 30 June	Year ended 31 December			
(EUR millions)	2022	2021	2020	2019	2018
Net Income	385	332	387	352	328
Depreciation and amortisation	609	587	557	586	610
Other noncash items	362	209	117	186	220
Cash flow from operations	**1,356**	**1,128**	**1,061**	**1,123**	**1,157**
Capex	-1,158	-948	-906	-1,316	-645
Dividend	-226	-223	-116	-209	-218
Free cash flow (before WC changes)	**-28**	**-43**	**40**	**-403**	**294**
Other items from operating activities	25	-215	-287	-101	-221
Change in working capital	-290	-340	193	-306	-300
Net free cash flow	**-294**	**-598**	**-54**	**-809**	**-227**
Acquisitions	-139	-79	-154	-28	-38
Dispositions	196	175	364	140	1,466
Investments and other	-225	-234	184	236	-83
Cash flow before financing	**-462**	**-736**	**340**	**-462**	**1,118**
Net equity change	-2	-1	0	0	-196
Net debt change	-291	-614	17	989	-488
Other	1,278	1,221	-59	-108	30
Effects of foreign exchange	60	41	-40	12	-19
Change in cash	**583**	**-89**	**259**	**431**	**445**

Summary

- Acciona’s cash flow from operations recovered from the coronavirus pandemic, standing at EUR 1,128 million in 2021. The cash flow from operations in the LTM ended 30 June 2022 improved to EUR 1,356 million.
- In the LTM ended 30 June 2022, capex increased to EUR 1,356 million compared with EUR 948 million in 2021 and EUR 906 million in 2020, mainly related to the energy business. At the consolidated level, capacity grew to 9.2 GW from 8.6 GW, up 6.2%. A total of 557 megawatts (MW) (gross) was installed during the period, mainly represented by 140 MW wind in Australia (Mortlake South), 145 MW wind in Mexico (San Carlos), 209 MW PV in Chile (Malgarida), and 48 MW wind in Spain (Celada Fusión). Capex reflected expenditures on development and growth as part of CAER's aggressive capacity expansion plans.
- After a year affected by the coronavirus pandemic, the Group continued with the normal dividend distribution policy with dividend payments reaching EUR 223 million in 2021 compared with EUR 116 million in 2020.

Outlook

- DBRS Morningstar expects Acciona's cash flow from operations to grow steadily over the following years, also supported by the high energy price environment.
- Acciona, through CAER, has an aggressive expansion plan to increase its total installed capacity to 20.0 GW by 2025 from 10.7 GW in 2020. By geography, capex in the Energy Division will be deployed as follows: 27% in America; 27% in Australia; 18% in Spain; 1% in the rest of Europe; and 27% in other countries. By technology, capex will be deployed as follows: 62% in wind; 35% in solar PV; and 3% in development costs. As a mitigant, CAER indicated that it only invests when all the

permits and right of use are obtained. Also, the Company expects to grow total installed capacity to 30 GW by 2030 from 20 GW in 2025.

- Acciona, through CAER, is expected to mainly fund its projects via cash flow from operations and incremental indebtedness, which will primarily be in the form of corporate debt that CAER's financing subsidiary, AEFF, will incur in the banking and capital markets with the Company's guarantee that it then onlends to project companies.
- In the Infrastructure business, the Group is focusing its growth on sustainable greenfield investments that can provide future steady cash flows, leveraging the Group's technical and financial capabilities. There is an abundant pipeline of more than 75 greenfield projects requiring an investment of more than EUR 86 billion to be tendered in the next few years. Acciona is targeting the award of three to four new projects per year in from 2022 to 2026.
- DBRS Morningstar believes that Acciona's business strategy, risk management policy, and financing strategy will allow it to improve its solid financial profile and credit metrics over the next two years.

Debt and Liquidity Profile

	LTM 30 June	Year ended 31 December			
(EUR millions)	2022	2021	2020	2019	2018
Capital Structure					
Short-term bank borrowings	353	280	711	912	905
Long-term bank borrowings	2,018	2,073	3,985	4,600	3,674
Short-term CP, debentures, and bonds	1,900	1,666	1,276	1,054	1,244
Long-term CP, debentures, and bonds	3,173	2,364	886	697	406
Short-term lease obligations	81	68	74	55	0
Long-term lease obligations	438	430	420	347	0
Gross debt	**7,963**	**6,881**	**7,353**	**7,664**	**6,229**
Cash & cash equivalents	-2,922	-2,536	-2,620	-2,347	-1,896
Operating cash	150	150	150	150	150
Net debt	**5,191**	**4,494**	**4,883**	**5,467**	**4,483**
Total equity	**6,135**	**5,557**	**3,711**	**3,641**	**3,495**
Consolidated Key Credit Metrics[(5)]					
Cash flow-to-net debt (%)[(1) (2)]	26.1	25.1	21.7	20.5	25.8
Net debt-to-EBITDA (times)[(2) (3)]	2.7	3.0	4.3	3.8	3.5
Adjusted EBITDA gross interest coverage (times)[(3) (4)]	8.6	6.3	4.5	5.4	3.8
Adjusted EBIT gross interest coverage (times)[(3) (4)]	5.8	3.8	2.3	3.2	2.0
Adjusted EBITDA margin (%)[(3)]	18.3	17.1	15.6	18.3	16.1
Net debt-to-capital (%)[(2)]	45.8	44.7	56.8	60.0	56.2

(1) Operating cash flow, excluding working capital movements.
(2) Net debt is calculated as gross debt (including lease adjustments and nonrecourse debt) minus nonoperating cash.
(3) EBITDA and EBIT include results from entities accounted with the equity method.
(4) Interest expense includes capitalised interests.
(5) DBRS Morningstar harmonised the calculation of the key credit metrics with that of Corporacion Acciona Energias Renovable, S.A..

Maturity Profile

As at 31 December 2021 (EUR millions)	2022	2023	2024	2025	2026	>2026
Bank and borrowings	245	232	1,036	128	361	294
Debentures and other marketable securities	1,652	246	290	144	209	1,484
Total (1)	**1,897**	**478**	**1,326**	**272**	**570**	**1,778**

(1) The total excludes leases.

Summary

- In the backdrop of a challenging economic environment due to the coronavirus pandemic, Acciona has been able to maintain a solid financial position and growth capacity consistent with the assigned rating category. This result was possible because of the Group's focus on liquidity and financial flexibility, moderation of investment flows and working capital management, asset rotation, reduction in dividends, and cost efficiency.
- As of 30 June 2022, Acciona's gross debt amounted to EUR 7,963 million. About 91% of gross debt is issued on a corporate basis while the remaining 9% is on a project finance basis. Approximately 85% of gross debt is denominated in euros, 10% in U.S. dollars, and the remaining 5% in other currencies. Moreover, 44% of debt has a variable interest rate while 56% has a fixed interest rate. At the same date, taking into account cash and cash equivalents and liquid financial assets and adding back EUR 150 million of cash needed to run the operations, net debt stood at EUR 5,191 million.
- AFF is the Group's main financing vehicle and borrower of a EUR 800 million syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme (increased from up to EUR 2.0 billion in 2022) and an up to EUR 1.5 billion ECP programme (increased from up to EUR 1.0 billion in 2022). The EUR 1.0 billion ECP programme under Acciona has been discontinued. Acciona unconditionally and irrevocably guarantees all AFF debt. AEFF was created separately to support CAER's IPO and is CAER's main financing vehicle and borrower of a EUR 2.5 billion syndicated loan facility, as well as the issuer of an up to EUR 3.0 billion EMTN programme and an up to EUR 2.0 billion ECP programme. CAER unconditionally and irrevocably guarantees all AEFF debt. All debt issued by Acciona and AFF will be nonrecourse to CAER and its subsidiaries and, similarly, all debt issued by AEFF will be nonrecourse to Acciona and AFF.
- DBRS Morningstar considers the Group's liquidity position to be moderately positive, with Acciona having cash and cash equivalents and liquid financial assets of approximately EUR 2.9 billion as of 30 June 2022, availability under its banking lines, and access to the debt and equity capital markets. The debt maturity profile is relatively spread, with some concentration in 2022 and 2024.

Outlook

- Acciona indicated that, going forward, it will mainly fund its projects through internally generated cash flows and incremental indebtedness, with a commitment to maintain a leverage target below 4.0 times (x) in the medium to long term. Acciona also indicated that, while net debt at CAER’s level is expected to increase to support the Company’s investments and installed capacity expansion plans, the residual debt in other parts of the business will decrease year over year, with a particular focus on a reduction in the ECP programmes at Acciona and AFF.
- Since 2013, CAER primarily funded its projects through financing provided by Group companies (in particular, by AFF), project finance arrangements and, to a lesser extent, debentures and other negotiable securities at project level. Following the IPO, CAER will operate independently from its

parent company from a financial point of view. CAER expects that, as a publicly listed company, it will have access to a lower cost of capital—both in terms of debt and equity—to fund its pipeline independently from its parent company,

- Nonrecourse project-level debt may be appropriate for certain projects because of their size, currency denomination, geography, or existence of partners. However, Acciona envisages that the share of nonrecourse project debt as a proportion of total gross debt will steadily decrease over time. Equity offerings to fund short- to medium-term capital needs are included.

Other Considerations

- Going forward, Acciona’s ratings will largely be based on a composite assessment of CAER (currently rated BBB (high)/R-2 (high) with Stable trends) and the Group's Infrastructure Division, adjusted for structural subordination, leverage at the non-energy business level, and potential mitigating factors.
- As both Acciona and CAER have issued material amounts of debt and there is no legally enforceable upstream guarantee from CAER and no other offsetting features, Acciona's debt is structurally subordinated to CAER's debt. The quality of Acciona's cash flow is a direct function of the dividends received and the ability of the Group's subsidiaries to generate them. Due to the presence of structural subordination, DBRS Morningstar applied a one-notch rating differential between the Acciona's and CAER's debt.
- In certain instances, more than one notch of rating differential may be appropriate depending on the degree of leverage at the holding company level. DBRS Morningstar analysed Acciona's modified consolidated key credit metrics at the non-energy business level (i.e., excluding CAER business/noncontrolling interests across the forecast horizon). Under DBRS Morningstar's base case scenario, the ratio of the modified consolidated debt/consolidated capital is expected to decrease to about 25% by 2025. Therefore, no further notching adjustment is necessary.
- DBRS Morningstar considers the Group’s regulated activities to be stable. The Group’s nonregulated activities benefit from long-term contracts, although the Group is exposed to some merchant risk partially mitigated by the use of hedges. DBRS Morningstar considers the credit quality of the Group's construction activities to be weaker than its regulated and nonregulated generation activities and a potential limiting/pressuring factor to the Group's ratings. However, the solid order backlog in the Infrastructure division provides good visibility.
- In general, DBRS Morningstar considers Acciona's cash flows to be stable and sustainable over the forecast horizon. The Group's liquidity position is a moderately positive factor in DBRS Morningstar's overall assessment. Consolidated and modified consolidated key credit metrics are supportive of the assigned rating category.

Business Profile

1. Energy Division

- Acciona, through CAER, is a pure-play leader in the renewable energy sector with a fully integrated business model and high diversification across geographies and technologies, which include onshore wind, solar PV, hydraulic, concentrated solar power, biomass, and storage.
- CAER is a leading global developer, owner, and operator in renewable generation assets. As of 30 June 2022, the Company owned 11,212 MW of total installed capacity in 16 countries (of which more than half is in Spain). CAER's renewable generation assets consist of mostly wind, solar PV, and hydro as well as solar thermoelectric and biomass.
- DBRS Morningstar believes that CAER´s business risk is relatively low, reflecting cost-competitiveness and relatively stable cash flow from regulated generation assets in Spain and long-term power purchase agreements (PPAs) with its international generation assets.

Regulated Generation Assets in Spain and Spanish Regulatory Regime

- Under the electricity sector reform introduced by the Spanish Government during the 2012–14 period, the regulatory tariff system was replaced with a new remuneration model in 2013 (Law 24/2013 of the Energy Sector). Under this regulatory regime, regulated generation asset owners (such as CAER) are entitled to earn a "reasonable return" on their capital investments, which is based on the average yield of the 10-year Spanish government bond plus a spread. The Royal Decree-Law 9/2013 set this rate at the rate of return of Spanish 10-year government bonds plus 300 basis points. After a reduction in returns on capital investments from the tariff system in 2013, the first regulatory period from 2014 through 2019 provided a relatively stable framework for regulated generation assets.
- Following the six-year regulatory period ended in 2019, the new six-year regulatory period (2020–25) does not present any material changes from a credit perspective. Under the Royal Decree Law 17/2019, CAER's regulated rate of return for renewable energy (RROR) is reasonable at 7.09% through 2025. In addition, the Royal Decree Law 17/2019 allows CAER the option to maintain its RROR of 7.398% for the next two regulatory periods from 2020 through 2031, which provides strong visibility of earnings and cash flow for CAER's regulated generation assets in Spain. However, DBRS Morningstar also notes that the Spanish government has launched a series of initiatives aimed at reducing the average electricity bill for consumers (e.g., a gas clawback), including changes to the current Spanish regulatory regime, thus increasing the regulatory risk perception.
- Every three years, there is a review to make adjustments for revenues that are either over or under the regulated revenues. In order to tackle the economic and social impact of the Russia / Ukraine conflict, an extraordinary review was applied from 1 January 2022. The following 2023-2025 period remains unchanged. The review also adjusts regulated revenues to take into account any change in the power-price expectations. This adjustment is to ensure that a standard facility will recover its investment costs (operating and capital) that cannot be recovered through electricity sales in the market. CAER is assured to at least earn the floor-protected power price and a fair return on its capital investment.
- Volume risk is very low because revenues are based on regulated output that the regulator designated for each standard facility in the year that the facility is commissioned. The mechanism for price adjustment is based on regulated output and the difference between the regulated caps and floors and the actual prices. Deficits from previous years are recovered by tariffs set by the

system administration for each type of market participation. Excessive earnings (or earnings shortfalls) will be recorded as a regulatory liability or as regulatory capital asset, which can be added to regulatory capital every three years to be recovered over the remaining useful life of the asset.

Nonregulated Generation in Spain (Short-Term Contracts/Hedges)

- Power generation from nonregulated renewable generation assets in Spain is exposed to power-price volatility. However, CAER sells its generation output under short-term contracts, which significantly mitigated this risk. Standard bilateral PPAs are approximately 12 months, but there is an evolving appetite in the Spanish power market for up to 10-year term contracts. Some contracts are secured under auctions while others are negotiated bilaterally.
- Although the exposure to price risk is higher than regulated power generation assets, CAER's Spanish nonregulated power generation assets can be mitigated with short-term hedges. Most counterparties are corporate clients, and large industrial customers. Power prices benefit from solid and rising market price in recent years.

International Generation Assets

- International generation assets are usually covered by long-term PPAs or regulatory feed-in-tariff contracts. The average remaining duration of long-term contracts is approximately nine years. Although these assets are subject to volume and operational risk, long-term contracts significantly reduce risk associated with power-price volatility. The remaining portion of the output is generally sold under short-term contracts and hedges with only a small portion of power output sold into the spot market.
- Long-term contracted international renewable generation assets are expected to continue to grow over the medium term, further diversifying the Company's generation portfolio from a geographical perspective. Counterparties are generally utilities, governmental organisations, and large commercial and industrial customers.

2. Infrastructure Division

- Acciona Infrastructure includes Construction, Concessions, Water, Industrial, and Services. The Company has over 100 years of experience in the entire value change of infrastructure projects and has developed the global expertise and capacity to adapt to and manage risks associated with complex projects. Future growth prospects remain good over the medium term. As at 30 June 2022, backlog for Construction, Industrial, and Water was approximately EUR 20.6 billion.

Construction

- Construction is the largest EBITDA contributor to Infrastructure EBITDA. The construction business generally faces higher risks than Acciona's other businesses because of the nature of capital-intensive projects, long lead times, and the difficulty of estimating costs.
- Construction activities cover all phases of the process, from design through construction. Projects include bridges, roads, railways, tunnels, ports, and water & sewage treatment facilities and desalination facilities. Risks are mitigated by sound risk management, a thorough project selection process, cost controls, and management expertise. It is mitigated by the diverse types of projects, such as linear infrastructures and buildings, water treatment, wind farms, and solar plants.

- Acciona is a specialist in high-technology turnkey procurement and construction projects: hydroelectric and solar, thermal generation, oil and gas, substations and transmission networks, and installations. Its current operations are in Canada, Australia, South Africa, Mexico, the United Arab Emirates, and Chile. The Group is focused on increasing the number of its renewable energy projects worldwide.

Concessions

- Acciona is one of the leading companies in private development of infrastructure worldwide, both in terms of the number of projects and revenues. The Company currently manages concessions mainly in Spain, Canada, Australia, and Mexico.
- The management of the concession projects is generally under long-term, fee-for-service contracts. Operating and maintenance (O&M) costs are usually calculated as cost plus a margin. Project management includes transport infrastructure (i.e., roads, railways, ports) and social infrastructure (i.e., hospitals and universities).
- Acciona not only manages and maintains concession projects, but is also involved in financing all concession projects (e.g., A-30 Highway in Québec, Canada). Concessions projects are financed through nonrecourse project-specific facilities. Financing is typically long term, mostly through project debt and equity injection or subordinated loans from the owners.

Water

- Acciona is involved in managing the complete water cycle to serve end users from water collection and water purification to wastewater treatment and return to the environment. Operations are in more than 20 countries.
- Acciona is the world leader in the construction of water projects with deep experience and expertise in drinking water, wastewater treatments, and reverse osmosis desalination. This includes the design and construction of water treatment plants for municipalities and industrial companies.
- Water services contribute to the majority of the EBITDA generated in this segment. Acciona has more than 30 years of experience managing an integrated, complete water cycle. Water services include initial water collection, water treatment, water purification, and return to the environment after use. It also operates concessions for services related to the entire water cycle. Water O&M contracts are generally from five to 25 years. Contracts are generally fixed price (capacity charge) plus an additional charge, depending on the volume and quality of water.

Other Infrastructure Activities

- Acciona offers integrated solutions for over 2,000 customers, including O&M of assets in infrastructure, industrial services, and cities, including environmental services, airport handling, energy efficiency, and urban electric mobility. These services are typically under fee-for-services contracts with no exposure to commodity price risk and limited risk associated with rising operating costs through cost-plus margin contracts with an average term of 10 years.

3. Other Activities

Bestinver

- Through Bestinver, Acciona offers financial asset management solutions – investment funds, pension funds, and institutional mandates. Bestinver has AUM amounting to EUR 5.5 billion and almost 50,000 clients.

Property Development

- Acciona's Property Development business is one of the leading residential property development and management companies in Spain. For the past 30 years, the Group has developed over 13,000 homes across Spain, Portugal, Poland, and Mexico.

Application of Multiples Methodologies

Acciona’s ratings are largely based on CAER's ratings and an assessment of the Group's Infrastructure Division, adjusted for structural subordination, leverage at the non-energy business level, and potential mitigant factors. Acciona is engaged both in regulated generation activities in Spain and nonregulated activities in Spain and internationally through CAER, and in construction activities through its Infrastructure Division. Over the forecast horizon to 2024, excluding the Group’s other activities, CAER is expected to account for approximately 75% of Acciona's aggregated EBITDA, with the remaining 25% mainly generated by the Group's Infrastructure Division. As a result of the material sizes and contributions from the various business lines, DBRS Morningstar ultimately applies the following three methodologies to assess the Company: (1) the *Rating Companies in the Regulated Electric, Natural Gas, and Water Utilities Industry*, (2) *Rating Companies in the Independent Power Producer Industry*, and (3) *Rating Companies in the Construction and Property Development Industry*.

Environmental, Social, Governance Considerations

Environmental

As Acciona operates in both the renewable energy and the infrastructure sector, DBRS Morningstar considers the Environmental factor "Carbon and GHG Costs" to have a relevant effect, with a modestly positive impact on DBRS Morningstar’s overlay analysis.

Social

DBRS Morningstar considers the Social factor "Product Governance" to have a relevant effect.

Governance

There were no governance factors that had a relevant or significant effect on the credit analysis. For more details about which governance factors could have an effect on the credit analysis, please refer to the following checklist

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings.

Notes:

A Relevant Effect means that the impact of the applicable ESG risk factor has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG risk factor has changed the rating or trend on the issuer.
If any factor is proposed to have a Significant Effect, this should be reflected in the Press Release.
if Applicable is N, then Effect must be N; if Applicable is Y, then Effect must be R or S.

ESG Factor	ESG Credit Consideration Applicable to the Credit Analysis:	Y/N**	Extent of the Effect on the ESG Factor on the Credit Analysis: None (N), Relevant (R) or Significant (S)*
Environmental	**Overall:**	**Y**	**R**
Emissions, Effluents, and Waste	Do we consider the costs or risks result, or could result in changes to an issuer's financial, operational, and/or reputational standing?	N	N
Carbon and GHG Costs	Does the issuer face increased regulatory pressure relating to the carbon impact of its or its clients' operations resulting in additional costs?	Y	R
Resource and Energy Management	Does the scarcity of sourcing key resources hinder the production or operations of the issuer, resulting in lower productivity and therefore revenues?	N	N
Land Impact and Biodiversity	Is there a financial risk to the issuer for failing to effectively manage land conversion, rehabilitation, land impact, or biodiversity activities?	N	N
Climate and Weather Risks	Will climate change and adverse weather events potentially disrupt issuer or client operations, causing a negative financial impact?	N	N
Social	**Overall:**	**Y**	**R**
Social Impact of Products and Services	Do we consider that the social impact of the issuer's products and services could pose a financial or regulatory risk to the issuer?	N	N
Human Capital and Human Rights	Is the issuer exposed to staffing risks, such as the scarcity of skilled labour, uncompetitive wages, or frequent labour relations conflicts that could result in a material financial or operational impact?	N	N
	Do violations of rights create a potential liability that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Human Capital and Human Rights:	**N**	**N**
Product Governance	Does failure in delivering quality products and services cause damage to customers and expose the issuer to financial and legal liability?	Y	R
Data Privacy and Security	Has misuse or negligence in maintaining private client or stakeholder data resulted, or could result, in financial penalties or client attrition to the issuer?	N	N
Occupational Health and Safety	Would the failure to address workplace hazards have a negative financial impact on the issuer?	N	N
Community Relations	Does engagement, or lack of engagement, with local communities pose a financial or reputational risk to the issuer?	N	N
Access to Basic Services	Does a failure to provide or protect with respect to essential products or services have the potential to result in any significant negative financial impact on the issuer?	N	N
Governance	**Overall:**	**N**	**N**
Bribery, Corruption, and Political Risks	Do alleged or actual illicit payments pose a financial or reputational risk to the issuer?	N	N
	Are there any political risks that could impact the issuer's financial position or its reputation?	N	N
	Bribery, Corruption, and Political Risks:	**N**	**N**
Business Ethics	Do general professional ethics pose a financial or reputational risk to the issuer?	N	N
Corporate / Transaction Governance	Does the issuer's corporate structure limit appropriate board and audit independence?	N	N
	Have there been significant governance failures that could negatively affect the issuer's financial wellbeing or reputation?	N	N
	Corporate / Transaction Governance:	**N**	**N**
Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	N	N
	Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
	Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
	Institutional Strength, Governance, and Transparency:	N	N
	Consolidated ESG Criteria Output:	**Y**	**R**

Rating History

Issuer	Debt	Current	2021	2020	2019	2018
Acciona, S.A.	Issuer Rating	BBB	BBB	BBB	NR	NR
Acciona, S.A.	Short-Term Issuer Rating	R-2 (middle)	R-2 (middle)	R-2 (middle)	NR	NR
Acciona Financiación Filiales, S.A.	Euro Medium Term Notes	BBB	BBB	BBB	NR	NR

Previous Actions

- "DBRS Morningstar Confirms Acciona S.A. and Acciona Financiación Filiales, S.A.'s Ratings", 1 September 2022.
- "DBRS Morningstar Confirms Acciona S.A. and Acciona Financiación Filiales, S.A.'s Ratings and Removes Them from Under Review with Developing Implications", 8 October 2021.
- "DBRS Morningstar Places All Ratings of Acciona, S.A. and Acciona Financiacion Filiales, S.A Under Review with Developing Implications", 1 March 2021.
- "DBRS Morningstar Updates Disclosures for Acciona, S.A. Issuer Rating and Acciona, S.A. Short-Term Issuer Rating", 28 April 2020.
- "DBRS Morningstar Assigns an Issuer Rating of BBB and a Short-Term Issuer Rating of R-2 (middle) to Acciona, S.A. with Stable Trends", 23 April 2020.

Previous Report

- Acciona, S.A.: Rating Report, 23 November 2021.

Related Report

- Corporación Acciona Energías Renovables S.A.: Rating Report, 14 October 2022.

Notes:
All figures are in euros unless otherwise noted.

For the definition of Issuer Rating, please refer to Rating Definitions under Rating Policy on www.dbrsmorningstar.com.

Generally, Issuer Ratings apply to all senior unsecured obligations of an applicable issuer, except when an issuer has a significant or unique level of secured debt.

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We rate more than 3,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

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