Kodar Energomontaža d.o.o.

Republic of Serbia, Construction

Issuer

B

Outlook

Stable

Senior unsecured RSD 5.9bn bond rating

(P) B

Lead Analyst

Dániel Szebényi

+49 69 667738905

d.szebenyi@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Feb 2025

Construction and Construction Materials Rating Methodology, Jan 2026

Table of content

Rating composition

Business risk profile		
Industry risk profile	BB	B
Competitive position	B	
Financial risk profile		
Credit metrics	BB-	BB-
Liquidity	+/- 0 notches	
Standalone credit-assessment		**B+**
Supplementary rating drivers		
Financial policy	+/-0 notches	-1 notch
Governance & structure	-1 notch	
Parent/government support	+/-0 notches	
Peer context	+/-0 notches	
Issuer rating		**B**

Key metrics

			Scope estimates	
Scope credit ratios*	**2023**	**2024**	**2025E**	**2026E**
Scope-adjusted EBITDA interest cover	11.6x	68.3x	32.2x	8.6x
Scope-adjusted debt/EBITDA	1.2x	0.4x	1.0x	3.0x
Scope-adjusted funds from operations/debt	69%	212%	87%	26%
Scope-adjusted free operating cash flow/debt	106%	167%	91%	27%
Liquidity	110%	170%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook:

- Improvement of the business risk profile that leads to a larger and more granular project portfolio and order backlog, which minimises the potential for high volatility in cash generation. A scenario considered remote at present.

The downside scenario for the ratings and Outlook:

- Material deviation in project execution and weaker-than-anticipated success in securing new contracts, which leads to a weakening of credit metrics beyond our base case.

*All credit metrics refer to Scope-adjusted figures.

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Moderate interest cover, supported by the proposed bond's fixed interest rate, reducing interest rate risk. • Decades-long track record of successfully executing projects for large state-owned operators. • Geographical and product diversification to more mature Dutch market in the networks segment, supporting revenue stability.	• Small size, limiting economies of scale and weakening its position in competitive tendering. • Very low customer diversification, leaving Kodar exposed to elevated risk should a major customer be lost. • Governance concerns as owner's outside projects are not aligned with creditors' best interests (ESG factor).

2. Rating Outlook

The Stable Outlook reflects our expectation of a successful placement of the planned RSD 5.9bn bond and the timely execution of the company's broader project pipeline in line with the business plan. The Outlook also incorporates the anticipated weakening of credit metrics stemming from the planned development of the two renewable-power-plant projects.

3. Corporate profile

Experienced EPC contractor expanding into renewable-energy

Kodar Group is a regional engineering company specializing in the delivery of complex energy and telecommunications infrastructure projects. Its core competencies encompass the design and construction of transmission lines and substations across the full voltage spectrum (10–400 kV), as well as the design and rollout of telecommunication systems for fixed and mobile networks. The group serves a strong customer base, including Serbia's national transmission system and distribution operators, alongside selected leading telecommunications players in the Netherlands. With roots dating back to 1958, Kodar Group benefits from decades of technical expertise and industry know-how.

The group's main operating entity, Kodar Energomontaža d.o.o. plans to issue an RSD 5.9bn (approximately EUR 50m) bond to support the development of the Jasikovo Wind Power Plant and the Brebex Solar Power Plant. The proceeds will be channelled to the respective project companies through inter-company loans funded from the bond proceeds. The two renewable-energy projects will have a combined installed capacity of 370 MW and are expected to generate approximately 731 GWh of electricity per year, supporting the country's strategic orientation toward the green energy transition.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
12 Feb 2026	New	B/Stable

5. Financial overview (financial data in RSD '000s)

				Scope estimates		
Scope credit ratios	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
EBITDA interest cover	20.4x	11.6x	68.3x	32.2x	8.6x	5.9x
Debt/EBITDA	1.4x	1.2x	0.4x	1.0x	3.0x	2.1x
Funds from operations/debt	62%	69%	212%	87%	26%	34%
Free operating cash flow/debt	30%	106%	167%	91%	27%	27%
Liquidity	52%	110%	170%	>200%	>200%	153%
EBITDA						
Reported EBITDA	910,627	829,524	1,563,521	1,031,959	2,458,123	2,900,236
EBITDA	**910,627**	**829,524**	**1,563,521**	**1,031,959**	**2,458,123**	**2,900,236**
Funds from operations (FFO)						
EBITDA	910,627	829,524	1,563,521	1,031,959	2,458,123	2,900,236
less: interest	(44,669)	(71,687)	(22,887)	(32,064)	(284,652)	(492,992)
less: cash tax paid	(53,050)	(56,129)	(88,381)	(127,651)	(303,658)	(338,699)
Funds from operations	**812,908**	**701,708**	**1,452,253**	**872,243**	**1,869,814**	**2,068,545**
Free operating cash flow (FOCF)						
Funds from operations	812,908	701,708	1,452,253	872,243	1,869,814	2,068,545
Change in working capital	(330,715)	541,737	(102,787)	256,649	293,834	(179,917)
less: capital expenditures (net)	(46,676)	(88,224)	(133,642)	(150,000)	(150,000)	(150,000)
less: lease amortisation	(44,302)	(72,713)	(67,058)	(60,059)	(60,059)	(60,059)
Free operating cash flow	**391,215**	**1,082,508**	**1,148,766**	**918,833**	**1,953,588**	**1,678,569**
Interest						
Interest paid	45,456	96,859	45,599	50,802	311,304	503,142
Interest received	(787)	(25,172)	(22,712)	(18,738)	(26,653)	(10,150)
Interest	**44,669**	**71,687**	**22,887**	**32,064**	**284,652**	**492,992**
Debt						
Reported financial (senior) debt[1]	1,312,848	1,017,402	686,520	1,006,895	7,294,558	6,122,558
Debt	**1,312,848**	**1,017,402**	**686,520**	**1,006,895**	**7,294,558**	**6,122,558**

[1] Cash and cash equivalents are not netted against debt as cash is not considered to be permanent given the company's upcoming investment phase.

6. Environmental, social and governance (ESG) profile[2]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

Governance framework remains less institutionalized

The company has implemented an ESG framework that outlines targets across environmental, social and governance areas. In the social domain, its stated objectives include increasing workforce diversity, with women currently represent around 30% of leadership positions, and maintaining a limited gender pay gap. The company also reports zero workplace fatalities and aims to further reduce injury rates. Governance practices include the absence of reported regulatory non-compliance cases, annual anti-corruption training for senior management, and the gradual incorporation of ESG considerations into procurement processes and contractual arrangements. On environmental matters, the company has set a long-term goal of achieving net-zero greenhouse gas emissions by 2050, with interim targets for reducing Scope 1 and 2 emissions. It plans to source all electricity from renewable sources by 2030 and to expand its renewable-energy portfolio, with the intention of increasing the proportion of revenue generated from these activities.

While historical dividend distributions suggest a broadly balanced approach between shareholder remuneration and reinvestment in the business, the shareholder's increasing focus on investments in special-purpose vehicles outside the Kodar group, as well as the structuring of certain related-party transactions, may not be fully aligned with creditor interests (ESG factor: credit-negative). In addition, the company is exposed to elevated key-man risk, given the central role of the owner-manager in strategic and operational decision-making. The absence of a supervisory board or dedicated governance oversight committee further concentrates decision-making authority at the senior management level, which constrains institutional checks and balances from a creditor perspective.

[2] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: B

Scale constrains the business risk profile, but strong relationships with key clients support demand visibility

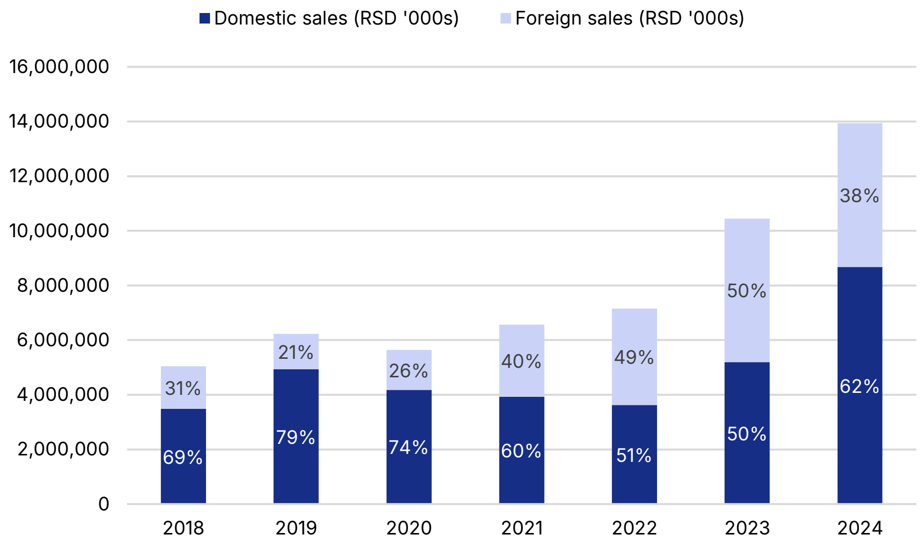
The business risk profile is constrained by Kodar's relatively small scale, which limits economies of scale and weakens its competitive position in tendering processes, particularly given the presence of a significantly larger domestic competitor that may adopt a more aggressive bidding strategy following its recent change in majority ownership. Kodar's domestic market share is estimated at around 20%, and the company has benefited from strong market-volume growth over recent years.

Kodar's key domestic customers include the state-owned national transmission system operator Elektromreža Srbije (EMS) and the national distribution operator Elektrodistribucija Srbije (EDS). Both entities plan substantial investments in network upgrades in the coming years, and Kodar is expected to remain involved given its decades-long track record with these clients. Internationally, Kodar's operations are focused primarily on the Netherlands, where its business model is reinforced by a circular workforce structure that deploys Serbian engineering staff to help alleviate persistent labour shortages in the Dutch market. The company expects to further capitalise on the upcoming large-scale grid expansion programme in the Netherlands.

Geographical diversification supports revenue stability

Revenues from foreign customers have steadily increased, with their share rising to nearly 50% today from 31% in 2018, although most international revenues remain concentrated in the Netherlands. This growing geographical diversification helps mitigate exposure to potential downturns in the domestic market.

Figure 1: Revenue breakdown



Sources: Kodar, Scope

The company is principally active in one segment of the construction industry: EPC contracting. However, within this segment Kodar generates revenues from five distinct sub-segments: transmission, distribution (both segments mainly focused on the domestic market), fiber optic networks installation (with 95% of revenues generated in the Netherlands), telecommunications infrastructure and solar power plants. These sub-segments have different demand patterns, which helps diversify revenue streams and mitigate exposure to fluctuations in economic cycles. In particular, demand in the sub-segments generating the highest proportion of revenues, the transmission and distribution (T&D) and networks installation, have fundamentally different patterns. While T&D is structurally less cyclical and more policy-anchored, as it is driven by national grid expansion, electrification trends, renewable-energy integration, and regulatory mandates, the networks sub-segment tends to be more sensitive to macroeconomic conditions, as demand depends on competition among telecom operators, government broadband-expansion incentives, and fluctuations in consumer and enterprise connectivity needs. This product-level diversification mitigates revenue and margin volatility.

Concentrated customer base balanced by master agreements and repeat business

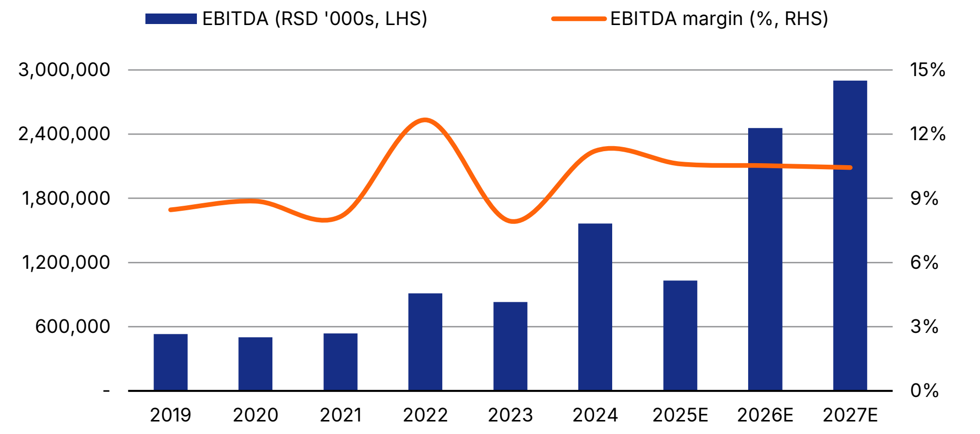
Customer concentration is high, with the ten largest customers accounting for roughly 90% of total turnover on average over the past two years. This creates elevated cluster risk, as non-payment, project delays, loss of key contracts, or weaker order intake from any major client could materially affect revenue stability. We note, however, that such concentration is not uncommon for a company of Kodar's size operating in a relatively small and specialized market. As a partial mitigant to this risk, Kodar has sizeable master agreements with its key customers in the Netherlands and multiple active contracts with its largest domestic customers. These long-term contractual relationships provide some revenue visibility and reduce the impact of concentration-related EBITDA volatility.

Profitability is project-driven but supported by backlog and renewables exposure

Operating profitability has shown considerable volatility in the past, driven largely by project dynamics, type of projects, high project concentration and the varying contribution of individual contracts. This volatility is mitigated by the fact that, while many customer contracts stipulate fixed prices, meaning the contractor bears the risk of increases in material or labour costs beyond initial estimates, they also allow certain price adjustments in response to inflation. Also, on the supply side, Kodar typically secures fixed euro-denominated unit prices from suppliers, and subcontractor agreements allow for price increases only for additional work.

EBITDA margin averaged 9.1% in the past seven years with highs in 2022 (12.7%) and 2024 (11.2%), the latter of which was supported by works performed on a renewable-power-plant similar to those subject to financing from the planned bond proceeds. Looking ahead, we expect EBITDA margin will remain around 10%, with a positive impact in the next two years coming from Jasikovo and Brebex projects. Excluding these projects, we estimate the company's backlog at 1.45x relative to its average revenues over the past three years, indicating a solid pipeline and further growth potential.

Figure 2: EBITDA and EBITDA margin



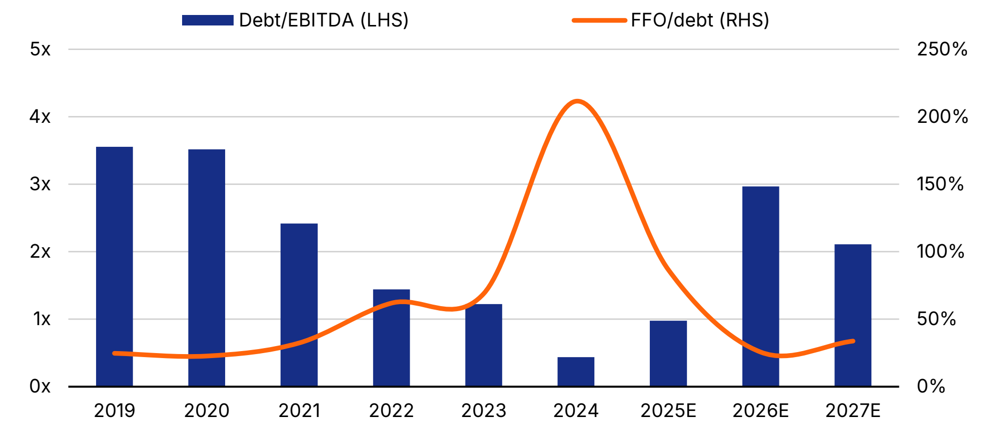
Sources: Kodar, Scope estimates

8. Financial risk profile: BB-

Leverage set to re-expand on bond funding; execution risk could pressure metrics

The company has deleveraged over the past few years, reducing debt/EBITDA to an estimated 1.0x in 2025 from 3.5x in 2020. However, the planned addition of RSD 7bn in new debt in 2026 (RSD 5.9bn from a bond issuance and RSD 1.2bn from revolving credit facilities) will raise leverage to around 3.0x. EBITDA will be temporarily supported by profits from related-party Jasikovo and Brebex projects, for which the new financing is intended. Although the proposed bond has a bullet maturity, meaning no immediate pressure on cash flows from this source, any delays in project execution or shortfalls in profitability could exert upward pressure on leverage. Toward the latter part of the forecast horizon, we expect leverage to rise further as EBITDA normalises following the completion of the two renewable-power-plant projects. Similarly, we project FFO/debt to fall from a high level in 2025 to around 25%–35% in the subsequent two years, driven by higher debt and partially offset by project-related inflows.

Figure 3: Leverage

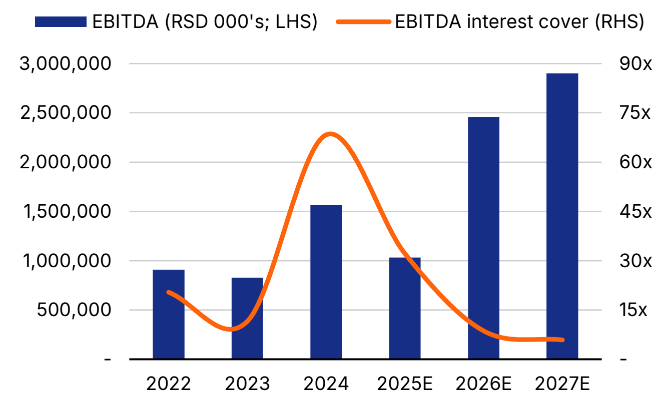


Sources: Kodar, Scope estimates

Interest coverage declines sharply on higher debt but benefits from fixed-rate funding

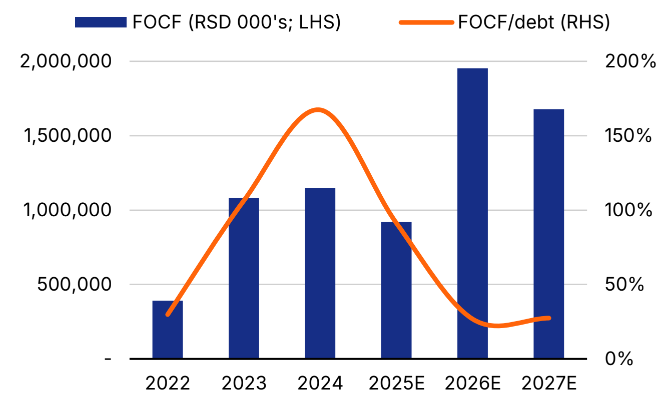
We project interest cover to decline sharply to around 9x in 2026 from above 30x in 2025 due to increased net interest expenses following the bond issuance. Excluding the extraordinary EBITDA from the two renewable-power-plant projects, interest cover is expected to weaken significantly to around 2.5x after project completion. Until now, the company has relied exclusively on short-term facilities with interest rates linked to EURIBOR, without the ability to hedge this exposure due to the absence of suitable derivative products in the domestic market. The shift to a fixed-rate instrument therefore reduces sensitivity to interest-rate volatility and provides additional stability to interest cover over the bond's life.

Figure 4: Interest cover



Sources: Kodar, Scope estimates

Figure 5: Cash flow cover (FOCF/debt)



Sources: Kodar, Scope estimates

Project-based working-capital volatility constrains cash-flow visibility despite low capex

Capital expenditure requirements are expected to remain modest, largely limited to maintenance capex aligned with annual depreciation. Accordingly, FOCF/debt is projected to follow a similar pattern to FFO/debt, falling from a high level in 2025 to around 25% in the next two years. Working capital volatility, however, may continue to affect cash-flow cover, reflecting Kodar's project-based business model involving significant advances received and paid, and milestone-based invoicing, factors that have historically driven substantial fluctuations in working capital.

Adequate liquidity

Kodar's liquidity is adequate, given that the company operates with a low level of short-term debt and a normalised break-even level of FOCF excluding the Jasikovo and Brebex projects. The company currently benefits from sizeable, short-term revolving credit facilities with multiple banks, which are regularly rolled over at maturity, a standard practice in Serbia's banking market. Nevertheless, we note that the company will face a material cliff risk in 2031, driven by the large bullet repayment of the bond.

Table 1. Liquidity sources and uses (in RSD '000s)

	2024	2025E	2026E
Unrestricted cash (t-1)	262,599	312,713	491,779
FOCF (t)	1,148,766	918,833	1,953,588
Short-term debt (t-1)	827,979	409,552	744,337
Liquidity	**170%**	**>200%**	**>200%**

Sources: Kodar, Scope estimates

9. Supplementary rating drivers: - 1 notch

Negative adjustment reflects concerns over cash outflows to owner-controlled SPVs

We have applied a one-notch negative adjustment to the issuer's standalone credit-assessment of B+ under the supplementary rating drivers, reflecting concerns over potential cash outflows linked to the owner's external renewable-power-plant interests and the structuring of certain related-party transactions. In our view, these arrangements could weaken Kodar's credit standing and are not aligned with the best interests of creditors, given the risk that group-external projects may divert financial resources away from the core operating entity (ESG factor: credit-negative).

10. Debt rating

Senior unsecured RSD 5.9bn bond rating: (P) B

Kodar plans to tap the bond market with a first-time RSD 5.9bn senior unsecured bond issue in Q1 2026, to which we assign a preliminary bond rating of (P) B. The recovery analysis based on enterprise value as a going concern indicates "average" recovery, allowing no notching upwards relative to the issuer rating.

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

52 Grosvenor Gardens
London SW1W 0AU
Phone: +44 20 7824 5180
info@scoperatings.com

in
Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

Disclaimer

© 2026 Scope SE & Co. KGaA and all its subsidiaries including Scope Ratings GmbH, Scope Ratings UK Limited, Scope Fund Analysis GmbH, Scope Innovation Lab GmbH and Scope ESG Analysis GmbH (collectively, Scope). All rights reserved. The information and data supporting Scope's ratings, rating reports, rating opinions and related research and credit opinions originate from sources Scope considers to be reliable and accurate. Scope does not, however, independently verify the reliability and accuracy of the information and data. Scope's ratings, rating reports, rating opinions, or related research and credit opinions are provided 'as is' without any representation or warranty of any kind. In no circumstance shall Scope or its directors, officers, employees and other representatives be liable to any party for any direct, indirect, incidental or other damages, expenses of any kind, or losses arising from any use of Scope's ratings, rating reports, rating opinions, related research or credit opinions. Ratings and other related credit opinions issued by Scope are, and have to be viewed by any party as, opinions on relative credit risk and not a statement of fact or recommendation to purchase, hold or sell securities. Past performance does not necessarily predict future results. Any report issued by Scope is not a prospectus or similar document related to a debt security or issuing entity. Scope issues credit ratings and related research and opinions with the understanding and expectation that parties using them will assess independently the suitability of each security for investment or transaction purposes. Scope's credit ratings address relative credit risk, they do not address other risks such as market, liquidity, legal, or volatility. The information and data included herein is protected by copyright and other laws. To reproduce, transmit, transfer, disseminate, translate, resell, or store for subsequent use for any such purpose the information and data contained herein, contact Scope Ratings GmbH at Lennéstraße 5, D-10785 Berlin. Public Ratings are generally accessible to the public. Subscription Ratings and Private Ratings are confidential and may not be shared with any unauthorised third party.