SCOPE | Ratings

EVN AG

Austria, Utilities

Rating composition

Business Risk Profile		
Industry risk profile	A+	A-
Competitive position	A-	
Financial Risk Profile		
Credit metrics	AA-	A+
Cash flow generation	Good	
Liquidity	+/-0 notches	
Standalone credit assessment		**A**
Supplementary rating drivers		
Financial policy	+/-0 notches	+1 notch
Governance & structure	+/-0 notches	
Parent/government support	+1 notch	
Peer context	+/-0 notches	
Issuer rating		**A+**

Key metrics

			Scope estimates	
Scope credit ratios*	**2022/23**	**2023/24**	**2024/25E**	**2025/26E**
Scope-adjusted EBITDA interest cover	>20x	>20x	19.1x	17.0x
Scope-adjusted debt/EBITDA	1.0x	0.9x	1.3x	1.5x
Scope-adjusted free operating cash flow/debt	13%	45%	2%	-5%
Liquidity	>200%	>200%	>200%	>200%

Rating sensitivities

The upside scenario for the ratings and Outlook is:

- Debt/EBITDA around 1.0x (deemed to be remote in the context of the company's investment plan)

The downside scenarios for the ratings and Outlook are (individually):

- Debt/EBITDA above 1.75x on a sustained basis
- Prolonged period of negative free operating cash flow
- Change in shareholder structure with Lower Austria no longer holding its majority share (remote)

**All credit metrics refer to Scope-adjusted figures.*

Issuer

A+

Outlook

Stable

Short-term debt

S-1+

Senior unsecured debt

A+

Lead Analyst

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Related methodologies

General Corporate Rating Methodology, February 2025

European Utilities Rating Methodology, June 2024

Government Related Entities Rating Methodology, December 2024

Table of content

1. Key rating drivers

Positive rating drivers	Negative rating drivers
• Vertically integrated business model with regulated power distribution; strong position for unregulated power generation (hydro); leading position in energy supply in Lower Austria • Volatility in power generation, trading and environmental services offset by exposure to less cyclical segments (regulated and quasi-regulated) such as grids, heat, telecommunications, water and contracting of remaining reserve capacities • Reduced margin volatility and dilution through the disposal (in process) of WTE Wassertechnik GmbH (international environmental services business) and stabilisation of the supply business within the Energy trade and supply segment and EVN KG • Solid geographical diversification across Central and South Eastern Europe as well as different infrastructure segments • Enhancement of cash flow profile through recurring contributions from holdings, especially Verbund AG, RAG Austria AG and Burgenland Energie AG • Further stabilisation of cash flows through past and future investments primarily in low-risk utility segments, i.e. regulated grids, regulated renewables and water supply infrastructure (ESG factor) • Consistent de-risking of power generation portfolio with full exit from coal-fired power generation a few years ago and further ramp-up of the company's renewables portfolio (<20% of future power generation volumes related to thermal capacity) (ESG factor) • Very solid leverage (SaD/SaEBITDA) within a range of 1.0-1.7x • Strong debt protection (EBITDA interest coverage within a range of 15-20x) and strong liquidity • GRE status: Potential parent support from Lower Austria as majority shareholder	• Volume risks in power generation in dry hydrological years and/or meagre wind years in addition to industry-inherent volatility of achievable prices for outright unregulated power generation • Generally higher market, political and regulatory risks in SEE markets • Group margins can significantly be affected by volatile and low-margin energy supply business (and environmental services in the past), but view on EVN's profitability slightly offset by strong assessment of operating profitability as measured by a Scope-adjusted ROCE • Working capital swings pertaining to energy procurement could result in temporary pressure on leverage and FOCF • Increasing pressure on FOCF amid the company increased investment programme, which could lead to FOCF turning negative in some periods

2. Rating Outlook

The **Stable Outlook** reflects our expectation of an unchanged robust financial risk profile, as demonstrated by sustained leverage (debt/EBITDA) of up to 1.7 over the next few years. This assumes that contrary to the last few years, EVN will use its strong balance sheet and raise additional debt for the financing of capex and dividend along its more ambitious capex phase. The Outlook also reflects our view that EVN's ownership structure will remain unchanged, as the government of Lower Austria is legally required to retain a majority stake.

3. Corporate profile

Multi-utility with GRE status

EVN AG is Austria's second-largest utility with a fully integrated business model. Besides its electricity and gas infrastructure, the group is also exposed to other infrastructure services such as water treatment and supply, waste incineration management and cable television. The province of Lower Austria holds 51% of EVN via holding company NÖ Landes-Beteiligungsholding GmbH, fulfilling the minimum ownership required by law.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
14 May 2025	Affirmation	A+/Stable
14 May 2024	Affirmation	A+/Stable
16 May 2023	Affirmation	A+/Stable
16 May 2022	Affirmation	A+/Stable

5. Financial overview (financial data in EUR m)

				Scope estimates		
Scope credit ratios	**2021/22**	**2022/23**	**2023/24**	**2024/25E**	**2025/26E**	**2026/27E**
EBITDA interest cover	22.6x	31.7x	22.7x	19.1x	17.0x	15.8x
Debt/EBITDA	1.5x	1.0x	0.9x	1.3x	1.5x	1.7x
Free operating cash flow/debt	-3%	13%	45%	2%	-5%	-4%
Liquidity	>200%	>200%	>200%	>200%	>200%	>200%
EBITDA						
Reported EBITDA	755	869	799	780	842	905
add: Operating lease payments	-	-	-	-	-	-
add: Recurring associate dividends received	204	275	340	150	100	60
less: Capitalised expenses	-	-	-	-	-	-
Other items[1]	(167)	99	(13)	(4)	(4)	(4)
EBITDA	**791**	**1,242**	**1,127**	**925**	**937**	**961**
Funds from operations (FFO)						
EBITDA	791	1,242	1,127	925	937	961
less: interest	(35)	(39)	(50)	(48)	(55)	(61)
less: cash tax paid	(27)	(49)	(34)	(60)	(56)	(53)
Other non-operating charges before FFO	-	-	-	-	-	-
Funds from operations	**730**	**1,154**	**1,043**	**817**	**826**	**847**
Free operating cash flow (FOCF)						
Funds from operations	730	1,154	1,043	817	826	847
Change in working capital	(250)	6	300	117	10	(7)
Non-operating cash flow	(51)	(427)	(236)	-	-	-
less: capital expenditures (net)	(467)	(567)	(641)	(904)	(904)	(904)
less: lease amortisation	-	-	-	-	-	-
Other items	-	-	-	-	-	-
Free operating cash flow	**(38)**	**166**	**466**	**29**	**(68)**	**(64)**
Interest						
Net cash interest per cash flow statement	31	31	40	39	45	51
add: interest component, operating leases	-	-	-	-	-	-
add: 50% of interest paid on hybrid debt	-	-	-	-	-	-
Change in other items[2]	4	9	10	10	10	10
Interest	**35**	**39**	**50**	**48**	**55**	**61**
Debt						
Reported financial (senior) debt	1,590	1,527	1,193	1,403	1,613	1,823
add: subordinated (hybrid) debt (net of equity credit)	-	-	-	-	-	-
add: shareholder loans (net of equity credit)	-	-	-	-	-	-
less: cash and cash equivalents	(509)	(337)	(251)	(271)	(339)	(315)
add: non-accessible cash	-	-	-	-	-	-
add: pension adjustment	83	88	95	92	89	86
add: operating lease obligations	-	-	-	-	-	-
add: other debt-like items	-	-	-	-	-	-
Debt	**1,165**	**1,278**	**1,037**	**1,223**	**1,363**	**1,593**

[1] Share of results from equity accounted investees with operational nature included in the reported EBITDA, gains/losses on asset disposals, one-off items, foreign exchange gains/losses, changes in provisions

[2] Estimated interests on asset retirement obligations, interest on pensions

6. Environmental, social and governance (ESG) profile[3]

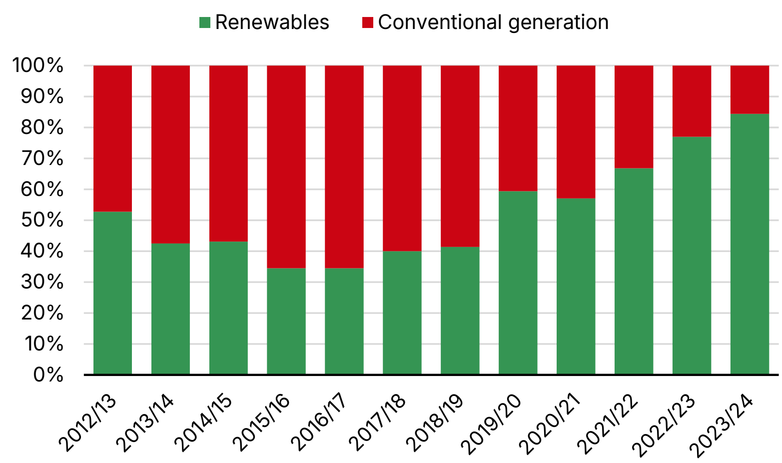
Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (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

Consistent de-risking of power generation

Following the exit from coal-fired power generation a few years ago, EVN's evolving sustainability footprint is strongly signalled by its consistent de-risking of its power generation activities through the continued ramp-up of renewable energy generation capacity, in particular onshore wind, which provides an increasing granularity of power generation assets and a steadily improving carbon footprint of power generation assets through the increase of the share of clean power generation (ESG factor: credit-positive environmental rating driver). Power generation from renewable energy power plants (hydro, onshore wind and photovoltaics) has already settled well above 75% of total generation volumes over the last two business years, which demonstrates the company's significant efforts over the past few years. Similarly, EVN's carbon footprint of its power generation fleet is estimated below 160 gCO2e/kWh. This positive trend is expected to continue over the next few years, given EVN's continued expansion of renewable energy capacities under its "Strategy 2030".

Figure 1: Strong reduction of share of electric generation from thermal capacity bolstered by closure of capacities and ramp-up of renewables as measured by power generation volumes



Sources: EVN, Scope

[3] 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.

The vast majority of net investment over the next few years remains earmarked for grid investment and renewables in EVN's core market of Lower Austria, thereby supporting the energy transition in Austria, thereby further reducing transition risks and strengthening the group's overall cash flow profile.

Risk-averse investment strategy supporting the ongoing energy transition

Regulatory risks are credit-neutral overall. The operation of regulated grids in Lower Austria provides solid recurring earnings (25%-35% of group EBITDA), bolstered by a reliable and supportive regulatory framework and solid grid efficiency. However, grid activities in Southern European markets such as Bulgaria and North Macedonia expose the utility to higher regulatory and political risk as well as temporary adverse effects on achievable margins due to the electricity grid infrastructure's higher grid losses.

Credit-neutral regulatory risk

EVN's prudent stakeholder management, which is characterised by a prudent financial policy, is deemed as credit protective as it is committed to retaining a solid financial risk profile with low leverage and strong debt protection.

Credit-protective stakeholder management

7. Business risk profile: A-

Despite its small size compared to pan-European utility incumbents, we assess EVN's business risk profile as comparatively low risk and widely diversified, leading to largely resilient operating performance. This is due to:

Well-balanced and low-risk business approach

- its fully integrated utility business model in electricity supply focused on robust regulated infrastructure;
- diversification across different markets in central and south-eastern Europe;
- indirect exposure to energy upstream activities through its stakes in Austrian Verbund AG and RAG Austria AG and associated dividend income;
- significant exposure to other low-risk and less cyclical infrastructure segments such as television/cable networks, drinking water supply and heat generation;
- its continued focus on strengthening its regulated business in its core market (Lower Austria) through an ongoing ramp-up of renewable energy capacities and the upgrade of its grid infrastructure, supporting the energy transition in Austria;
- strong end-customer outreach in electricity and gas supply in Lower Austria with a low churn-rate as a result of strong branding and one-stop-shop offering; and
- limited legacy risks related to the generation portfolio, already rectified through the operation of remaining thermal capacities as reserve capacity.

However, EVN's business risk profile remains constrained by:

Manageable business risks

- its exposure to volatile energy trading and supply as well as project development activities in environmental services (albeit the latter likely being reduced through the disposal of the international project development business within WTE Wassertechnik GmbH);
- higher market risks for activities in southeastern Europe; and
- the group's overall profitability profile which can become volatile primarily due to the energy trade and supply exposure.

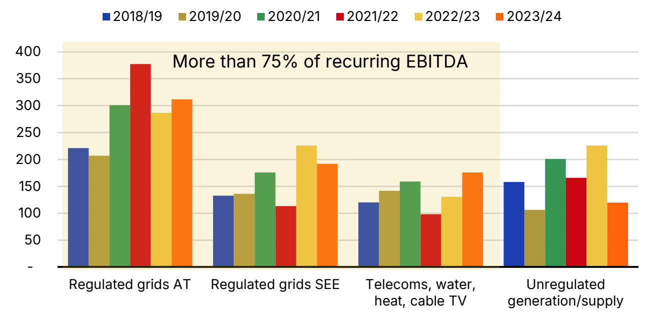
While credit risks remain, which altogether can particularly drive cash flow volatility, such risks are well mitigated by the utility's integrated business model and the natural hedge provided by its significant shareholdings in other companies such as Austria's largest power generator Verbund and Austria's largest energy storage company RAG Austria AG.

Risk mitigation though integrated business model and stakes in other companies

We emphasise that EVN's business strength is underpinned by its risk-averse and forward-looking capex strategy, which leverages the company's very low leverage and robust operating performance. While the increased investment programme will weigh on free operating cash flow

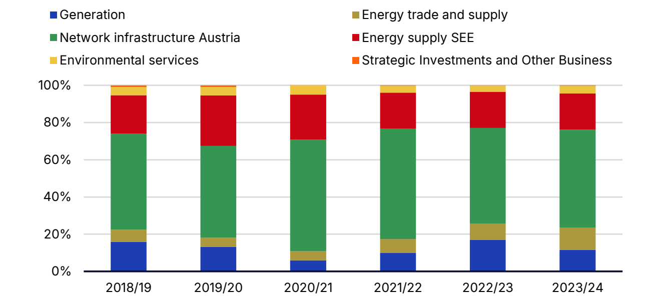
Capex allocation geared towards further strengthening of the business risk profile and credit metrics in the short term, it is expected to enhance the resilience and stability of EVN's business profile over time. Capital allocation under the "Strategy 2030" programme remains focused on regulated and quasi-regulated activities, particularly energy grids and renewables, which together account for 75–85% of total capex. As such, we project that the share of stable, regulated EBITDA will settle well above 80% in the medium term and the company's market position will solidify further by expanding its footprint in predictable, policy-supported segments of the utility value chain. As a result, we view EVN's business risk profile as increasingly robust and well-positioned to weather future market volatility.

Figure 2: Recurring share of regulated vs unregulated business (measured by EBITDA in EURm)



Sources: EVN, Scope estimates

Figure 3: Capex allocation to lower-risk and high-margin segments such as grid infrastructure

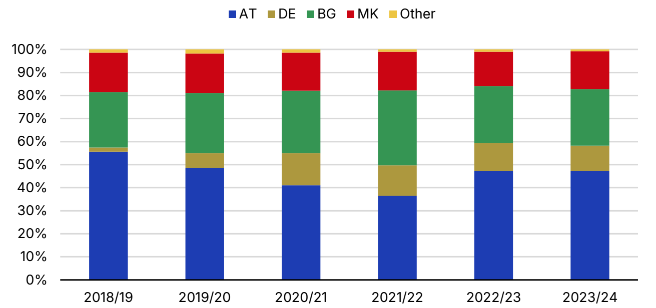


Sources: EVN, Scope estimates

Risk mitigation via segments and markets

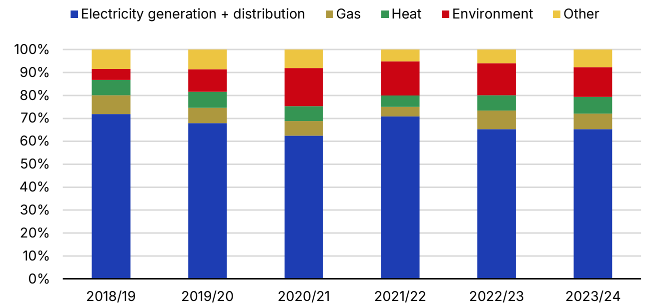
Moreover, EVN's credit quality is supported by its risk mitigation through its diversified outreach across a wide range of low-correlated utility segments and countries.

Figure 4: Geographical outreach (based on sales)



Sources: EVN, Scope

Figure 5: Diversification by product type (based on sales)



Sources: EVN, Scope

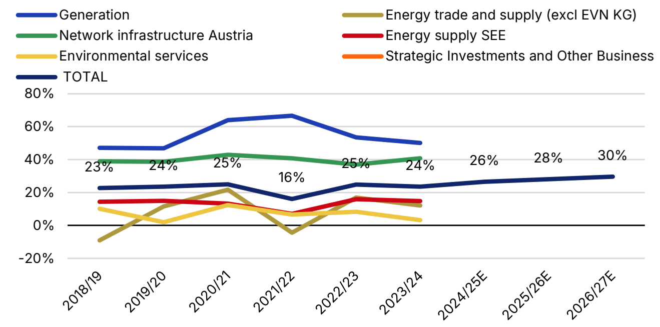
Group EBITDA margin expected to improve to ~30%

We expect EVN's operating profitability to improve over the next few years, reaching an EBITDA margin of about 30% compared to a range of 20-25% over the past few years. Such enhancement will likely be driven by reduced exposure to low-margin energy supply, a steadily rising share of high-margin grid and generation business, and the planned exit from the margin-dilutive business within Environmental Services.

Strong ROCE despite high asset intensity stemming from grids business

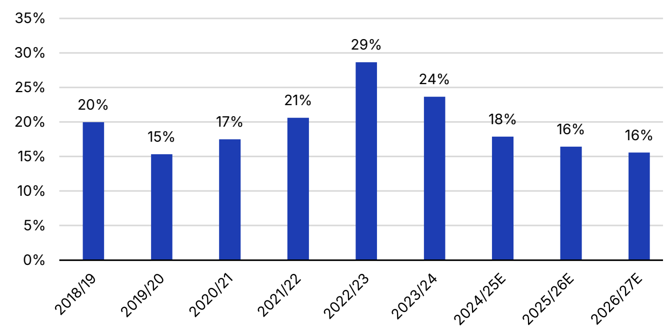
Profitability is further supported by solidifying earnings volatility and a strong return on capital employed, which consistently trends above 15%, underlining the utility's efficient capital allocation despite its large exposure to regulated grid activities.

Figure 6: Steadily improving group margin (EBITDA margin) going forward due to reduced negative impact from volatile supply margins and reduced dilution from margin in environmental services



Sources: EVN, Scope estimates

Figure 7: Scope-adjusted return on capital employed



Sources: EVN, Scope estimates

8. Financial risk profile: A+

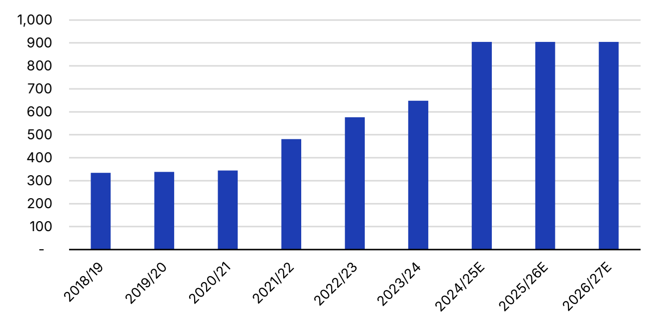
One of the strongest financial risk profiles among European utilities

EVN's financial risk profile remains one of the strongest among European integrated utilities. While we flag some pressure on this assessment in light of a perceived increasing leverage and likely weakening of free operating cash flows and discretionary over the next few years which necessitate new external debt funding, the financial profile remains supportive of the solid investment grade rating.

Updated investment plan to bite into free operating cash flow

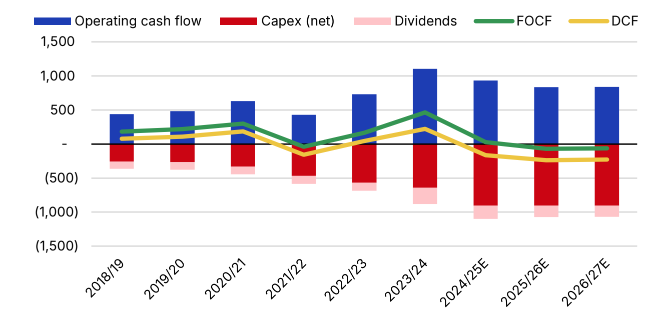
EVN has historically maintained a prudent financial policy, balancing investments and shareholder returns with operating cash flow, resulting in stable net debt levels and minimal reliance on new external financing. However, the company's strategic shift toward a more ambitious investment programme marks a turning point, with us anticipating moderately negative free operating and discretionary cash flows over the coming years. The updated capex plan includes gross annual investments exceeding EUR 1.0bn (~EUR 900m net), signalling a more growth-oriented strategy compared to previous years when debt issuance was limited.

Figure 8: Steadily increasing net capex* (EUR m) ...



* including investment grants but excluding divestments
Sources: EVN, Scope estimates

Figure 9: ... likely to result in negative free operating cash flow and discretionary cash flow (EUR m)



Sources: EVN, Scope estimates

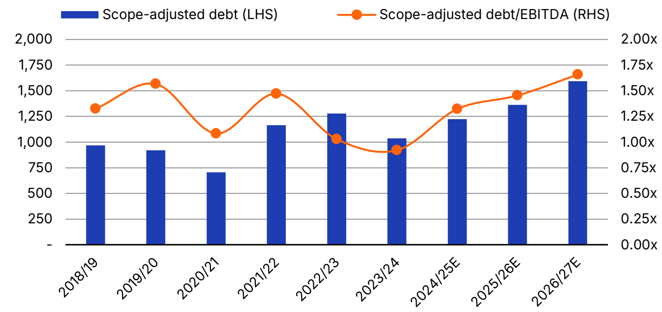
Increasing leverage, which still remains at a strong level over the medium term

As a result, we project debt to increase to about EUR 1.7bn by end-BY 2026/27 compared to EUR 1.0bn at end-BY 2023/24, which will partly be offset by solidification of the EBITDA at a level of more than EUR 1.0bn over the next three years. Consequently, EVN's record-low leverage, debt/EBITDA, of 0.9x at the end of BY 2023/24 is expected to rise, though we forecast leverage to remain within a robust corridor of 1.3x to 1.7x through BY 2026/27, thereby remaining commensurate with an unchanged rating.

Consistently strong interest coverage

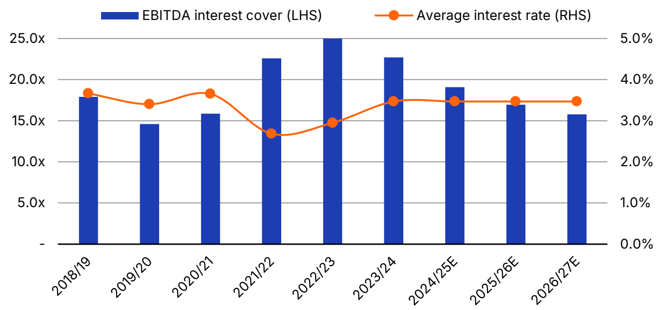
Still, we expect manageable interest costs, supported by declining reference rates and a stable average borrowing rate of around 3.5%, with SaEBITDA interest cover forecast solidly above 15x.

Figure 10: Development of debt in EUR m and leverage



Sources: EVN, Scope estimates

Figure 11: EBITDA interest coverage and average effective interest rate



Sources: EVN, Scope estimates

Some flexibility on capex and dividends

Despite the planned increase in debt, we believe that EVN will remain committed to maintaining its strong financial profile by adjusting capex or dividend payouts if leverage moves outside the target range. Financing terms will become increasingly important for EVN as it moves into the phase of partial external capex financing. As a result, we believe the company would prioritise maintaining its credit profile over new growth opportunities once this requires appropriate action.

Adequate liquidity

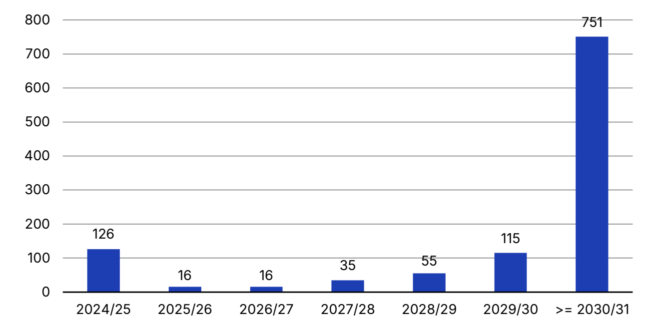
EVN's liquidity profile remains strong with liquidity ratios consistently above 200%. The group has only few debt maturities over the foreseeable future (about EUR 160m from BY 2024/25 to BY 2026/27). Larger debt maturities will likely be refinanced through the issuance of a new debt instrument with a similar notional, while the company will likely raise new debt for the funding gap of capex that cannot be covered by operating cash flow and cash. EVN benefits from a wide access to different debt funding sources such as bank credits, different credit lines, public bond from a DIP and promissory note loans (Schuldscheindarlehen) and keeps a strategic liquidity reserve through its shareholding in Austria's Verbund.

Table 1. Liquidity sources and uses (in EUR m)

	2024/25E	2025/26E	2026/27E
Unrestricted cash (t-1)	251	271	339
Open committed credit lines (t-1)	815	815	815
Free operating cash flow (t)	29	(68)	(64)
Short-term debt (t-1)	126	16	16
Liquidity	**>200%**	**>200%**	**>200%**

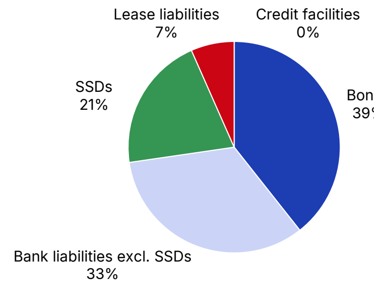
Sources: EVN, Scope estimates

Figure 12: Maturity profile at end of BY 2023/2024 (in EURm) – excluding leases



Sources: EVN, Scope

Figure 13: Well diversified funding (debt categories at end of BY 2023/2024 in EURm)



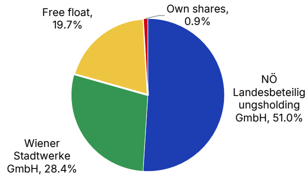
Sources: EVN, Scope

9. Supplementary rating drivers: +1 notch

One-notch uplift to the standalone credit assessment reflecting the GRE status

The issuer rating incorporates a one-notch uplift on the standalone credit assessment of A, leading to a final issuer rating of A+. This follows the framework set out in our rating methodology on government-related entities with a bottom-up rating approach, reflecting the public sponsor's capacity and willingness to provide support. The federal state of Lower Austria, whose credit quality we deem to be higher than that of EVN, holds a 51% majority stake in EVN through its investment vehicle, NÖ Landes-Beteiligungsholding GmbH which needs to a kept as stipulated by law. We deem EVN as essential to the federal state, particularly its gas and electricity distribution infrastructure. The upnotching on EVN's standalone credit assessment is limited to one notch considering: i) that a large part of EVN's activities are not deemed essential public services; ii) that EVN's large business outreach to southeastern European markets would make it likely that non-core assets in such markets would be disposed of before the company requests funding from its controlling shareholder; and iii) the lack of full ownership by the public sponsor.

Shareholder structure



Updated financial policy less conservative than in the past, but not threatening the credit profile

We view EVN's financial policy as generally risk-averse, underpinned by historically consistently positive free operating cash flow, a conservative dividend policy, and close attention to maintaining leverage within the rating thresholds. Although the updated investment programme entails higher external funding needs and a phase of negative discretionary cash flow, it is not expected to compromise the company's financial risk profile. Overall, EVN's financial policy is assessed as credit-neutral, reflecting a slight shift away from past conservatism without materially weakening credit quality.

10. Debt ratings

All public debt is raised at the group level. We note that EVN does not have a commercial paper programme at present and that it uses bank overdrafts for short-term funding purposes instead.

Senior unsecured debt rating: A+

Senior unsecured debt is rated at A+, the same level as the issuer rating.

Short-term debt rating: S-1+

Short-term debt is rated at S-1+ which is based on the underlying A+/Stable issuer rating and very strong liquidity. We expect internally and externally available liquidity to cover upcoming debt maturities by more than 200%. Moreover, We acknowledge that the company has a strong track record of accessing external funding from banks and investors through private placements and capital market debt.

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