EVN AG
Republic of Austria, Utilities

A+ Stable

Key metrics

			Scope estimates		
Scope credit ratios	2019/20	2020/21E	2021/22E	2022/23E	2023/24E
Scope-adjusted EBITDA /interest cover	16x	17x	20x	25x	25x
Scope-adjusted debt (SaD)/Scope-adjusted EBITDA	1.5x	1.1x	1.5x	1.4x	1.2x
Free operating cash flow/SaD	25%	80%	-17%	10%	24%
Liquidity	>200%	>200%	>200%	>200%	>200%

Rating rationale

EVN's A+ issuer rating reflects a standalone credit quality of A plus a one-notch uplift based on our view of EVN as a government-related entity.

The standalone issuer rating of A reflects EVN's robust business model paired with a strong financial risk profile, which remains one of the best among European integrated utilities. EVN is able to manage challenging economic phases without jeopardising its credit quality. This is thanks to its fully integrated business model, diversification, and dominant exposure to regulated and quasi-regulated activities. We expect the group's business to be further strengthened by its plan to accelerate capex in regulated and quasi-regulated assets in its core region of Lower Austria. The current pressure from higher energy prices, which will dilute the achievable group margin for the next few quarters, is digestible due to EVN's strong financial position. We believe the utility will retain its strong financial risk profile as increased net investments and shareholder remuneration will likely be balanced with operating cash flow in order to keep indebtedness low.

Outlook and rating-change drivers

The Stable Outlook reflects our expectation of an unchanged robust financial risk profile as displayed by sustained Scope-adjusted leverage (SaD/Scope-adjusted-EBITDA) of 1.5x and below over the next few years. This is underpinned by EVN's solid ability to balance capex and shareholder remuneration against operating cash flow, thereby keeping its net debt broadly constant. The Outlook also reflects our view that EVN's ownership structure will not change as the province of Lower Austria is required by law to retain a majority stake.

A positive rating action could occur if Scope-adjusted leverage moved to 1.0x or below. However, we deem this remote as EVN would likely balance additional deleveraging against higher capex and/or shareholder remuneration.

A negative rating action could be warranted by leverage deteriorating to above 1.5x on a sustained basis. This could be due to higher-than-expected net capex or a lower-than-expected earnings contribution from new investments and/or volatile businesses such as energy supply and environmental services. Alternatively, a negative rating action could be triggered if Lower Austria reduced its share to a minority stake (unlikely due to the legislation).

Rating history

Date	Rating action/monitoring	Issuer rating & Outlook
2 Nov 2021	New	A+/Stable

Ratings & Outlook

Issuer	A+/Stable
Short-term debt	S-1+
Senior unsecured debt	A+

Analyst

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Related Methodologies

Corporate Rating Methodology, Jul 2021

Rating Methodology: European Utilities, Mar 2022

Rating Methodology – Government Related Entities, May 2022

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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 sectors (regulated and quasi-regulated) such as grids, heat, telecommunications, water and the contracting of remaining reserve capacities • Strong geographical diversification across eastern Europe and different infrastructure segments • Enhancement of cash flow profile through recurring contributions from holdings, especially RAG, Energie Burgenland, EVN KG and Verbund AG • Further stabilisation of cash flows through accelerated investments, primarily in low-risk utility segments, e.g. regulated grids, water supply infrastructure and regulated renewables (ESG factor) • Consistent de-risking of power generation portfolio with full exit from coal-fired power generation following recent Walsum-10 disposal and further ramp-up of renewables portfolio likely leading to less than 25% of future power generation volumes related to thermal in medium term (ESG factor) • Improving footprint in environmental services, with an order backlog of more than EUR 1.0bn • Very solid leverage (SaD/Scope-adjusted EBITDA) within a range of 1.0-1.5x, bolstered by largely cash-financed capex and breakeven discretionary cash flows • Strong debt protection (Scope-adjusted EBITDA interest coverage of well above 15x) and strong internal liquidity with ‘theoretically’ no external (re)financing needs • Positive rating impact from shareholder structure with the province of Lower Austria as controlling 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 • Higher market risks in south-eastern Europe exemplified by current exposure to temporarily non-covered costs related to grid losses • Potential for group margins to be significantly affected by volatile and low-margin trading business and environmental services

Positive rating-change drivers	Negative rating-change drivers
• Further deleveraging leading to sustained SaD/Scope-adjusted EBITDA of around or below 1.0x	• Sustained weakening of financial risk profile as measured by SaD/Scope-adjusted EBITDA of above 1.5x • Change in shareholder structure with Lower Austria waiving its majority share following an amendment to the legal requirement to hold at least 51%

Corporate profile

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 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.

Financial overview

				Scope estimates		
Scope credit ratios	**2018/19**	**2019/20**	**2020/21**	**2021/22E**	**2022/23E**	**2023/24E**
Scope-adjusted EBITDA/interest cover	19x	16x	17x	20x	25x	25x
SaD/Scope-adjusted EBITDA	1.4x	1.5x	1.1x	1.5x	1.4x	1.2x
Free operating cash flow/SaD	23%	25%	80%	-17%	10%	24%
Scope-adjusted EBITDA in EUR m						
EBITDA	632	590	836	643	733	719
Adjustments (including gains/losses on asset disposals, one-off items, operating leases and recurring dividends from shareholdings, and foreign exchange gains/losses)	43	23	-185	-	-	-
Scope-adjusted EBITDA	**675**	**613**	**652**	**643**	**733**	**719**
Free operating cash flow in EUR m						
Operating cash flow	430	411	790	336	596	716
less: capital expenditure (net) including receipts from divestments and network subsidies	-207	-177	-223	-500	-500	-500
Free operating cash flow	**223**	**234**	**567**	**-164**	**96**	**216**
Net cash interest paid in EUR m						
Net cash interest as per cash flow statement	34	36	37	31	28	28
add: interest component, operating leases	-	-	-	-	-	-
add: estimated interests on asset retirement obligations	2	2	1	1	1	2
Net cash interest paid	**36**	**38**	**38**	**32**	**29**	**29**
Scope-adjusted debt in EUR m						
Gross financial debt incl. finance leases	1,133	1,233	1,098	1,348	1,348	1,348
less: hybrid debt	-	-	-	-	-	-
less: cash and cash equivalents	-336	-468	-522	-489	-465	-557
add: cash not accessible	-	-	-	-	-	-
add: pension adjustment (two-thirds of unfunded pension gap)	155	139	130	119	111	103
add: operating lease obligations	-	-	-	-	-	-
add: adjustment for asset retirement obligations	17	17	-	-	-	-
Scope-adjusted debt	**968**	**920**	**706**	**977**	**994**	**893**

ESG profile[1]

Environment		Social		Governance	
Resource management (e.g. reduced consumption of water, energy and raw materials, cut in emissions, fuel efficiencies)	Green leaf	Labour management		Company control (supervisory boards, key person risk)	Grey leaf
Efficiencies (e.g. in production process)		Health and safety		Clarity/transparency (financial disclosures, transparent communication/ability to communicate)	Grey leaf
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Green leaf	Clients and supply chain (geographical/product diversification)		Corporate structure (complexity)	Grey leaf
Physical risks (e.g. business/asset vulnerability, diversification)		Regulatory and reputational risks	Grey leaf	Stakeholder management (shareholder payouts and respect for creditors)	Green leaf

Legend

Green leaf (ESG factor: credit positive)

Red leaf (ESG factor: credit negative)

Grey leaf (ESG factor: credit neutral)

Consistent decarbonisation of power generation

EVN's consistent decarbonisation strategy of its power generation portfolio over the past few years (e.g. exit from the Walsum and the Dürnrohr coal-fired power plants) is credit-positive. Likewise, the operation of renewable energy generation assets (around 750 MW at the end of BY 2020/21) and continued ramp-up of this portfolio with a focus on new onshore wind and solar assets will contribute to a gradual reduction of the group's exposure to thermal generation assets.

Investment strategy supports ongoing energy transition

The vast majority of net investment over the next few years is earmarked for grid investment and renewables in EVN's core market of Lower Austria, thereby supporting the energy transition in Austria.

Credit-neutral regulatory risk

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.

Stakeholder management supports creditor protection

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

[1] The ESG profile only evaluates the extent to which ESG factors are credit-relevant. Our evaluations are not mutually exclusive or collectively exhaustive as these factors overlap and evolve. We only consider an ESG factor relevant to our credit rating process if it has a ubiquitously discernible and material impact on the rated entity's cash flow profile and, by extension, its overall credit quality.

Business risk profile: A-

Widely low-risk integrated business model

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:

i) its fully integrated utility business model in electricity supply focused on robust regulated infrastructure;

ii) diversification across different markets in central and south-eastern Europe;

iii) significant exposure to other low-risk and less cyclical infrastructure segments such as television/cable networks, drinking water supply and heat generation;

iv) its increased 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; and

v) 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

i) its exposure to volatile energy trading and supply as well as project development activities in environmental services;

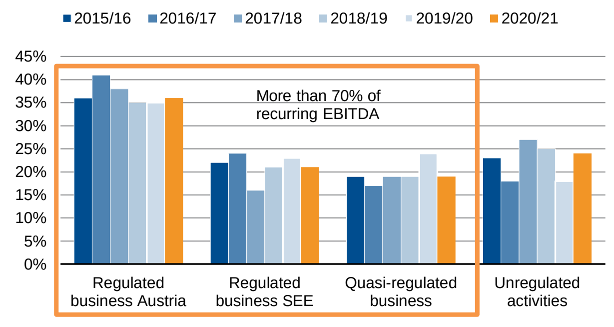
ii) higher market risks for activities in south-eastern Europe; and

iii) the group's overall profitability profile.

Resilient and diversified business profile

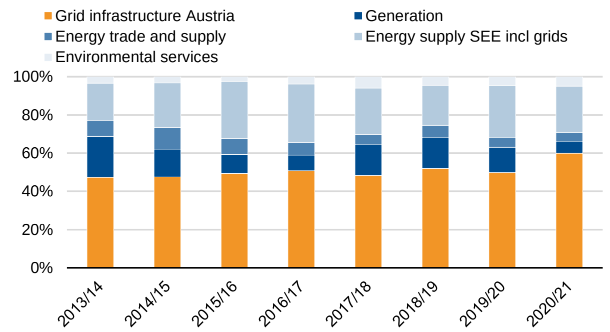
EVN's operating performance has proved very resilient, even to external shocks including the current Covid-19 crisis and related lockdowns. We also expect EVN to cope admirably with the persisting energy crunch amid elevated energy prices across Europe. This resilience is due to the group's solid diversification, its large exposure to regulated and quasi-regulated infrastructure segments, at more than 70% of its recurring cash flow (see Figure 1), and the large portion of hedging in the more volatile areas of energy supply and thermal power generation.

Figure 1: Recurring share of regulated vs unregulated business



Sources: EVN, Scope

Figure 2: Capex allocation to lower-risk and high-margin segments such as grid infrastructure



Sources: EVN, Scope

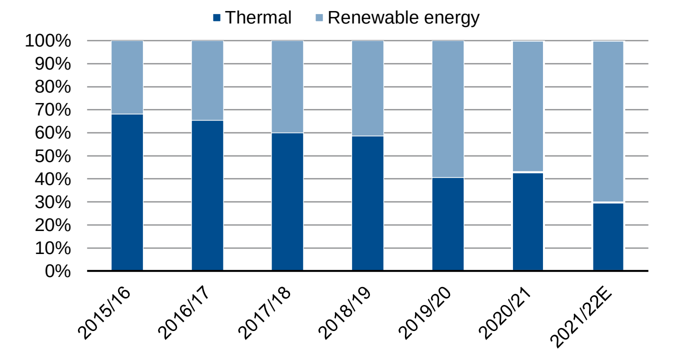
Exposure to low-risk regulated and quasi-regulated utility segments expected to grow

EVN continues to allocate most of its investments (reliably more than 75% of annual capex) to low-risk regulated and quasi-regulated infrastructure segments (see Figure 2) such as distribution grids, district heating, renewable energies (e.g. onshore wind and in the future solar) and water supply. EVN's exposure to robust utility segments will likely grow further over the next few years, reflecting the group's updated investment plan for the next few years under its ‘Strategy 2030’. The annual investment budget has been increased to net capex (including investment grants) of about EUR 500m for the next few years compared to about EUR 350m per annum over the last few years. As the largest portion of this net investment is earmarked for investment in grid, renewables and water supply infrastructure, we expect EVN’s operating profit exposure to robust regulated and quasi-regulated utility segments to improve further to above 80% on a sustained basis over the next few years compared to an average of about 75% over the past few years.

Importance of grid expansion for energy transition limits regulatory/political risks

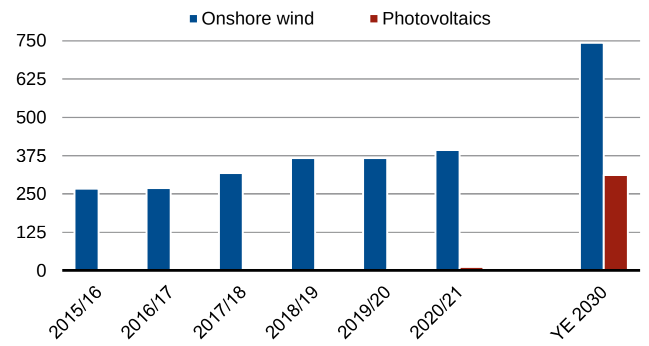
The group’s business model is fully focused on the energy transition in Austria. A major part of EVN’s medium-term capex programme is earmarked for ramping up renewables generation and upgrading distribution grids. This initiative is likely to be supported by Austria’s ‘Erneuerbare Ausbau Gesetz’[2] and the current market environment of elevated electricity prices across Europe and persistent geopolitical tensions, both of which call for an accelerated transition to non-fossil-fuelled power generation across Europe. Overall, we believe tailwinds will benefit EVN’s business regarding renewables expansion and grid investment, reducing the likelihood of unexpected adverse regulatory changes.

Figure 3: Consistent decarbonisation of power generation as displayed by shrinking share of thermal generation volumes



Sources: EVN, Scope estimates

Figure 4: Gradual ramp-up of regulated onshore wind portfolio (MW)



Sources: EVN, Scope

Consistent de-risking of energy generation portfolio

The historical and future realignment of EVN’s power generation business increasingly mitigates credit risk with a reduced generation share from fossil-fuelled generation capacities (capacity closures of the Theiß, Korneuburg and Dürnrohr gas and hard coal capacities and the disposal of the stake in the Walsum hard-coal power plant over the past few years has led to a remaining exposure to fossil-fuelled generation assets which is almost entirely related to reserve capacity with transmission grid operator APG at the 430 MW Theiß gas-fired power plant). In addition, EVN has a gradually rising generation share from regulated wind and solar assets on top of the existing exposure to more than 75 hydro power plants. This will largely be driven by an accelerated ramp-up of renewables capacities, which EVN plans to expand to 750 MW by 2030 for onshore wind assets (from 394 MW at present) and to 300 MW in photovoltaic capacity by 2030 (compared to 12 MW at present) (see Figure 4). This investment will further strengthen the group’s environmental footprint, which has already been improved over the past few years by the exit from coal-fired power generation, and result in a further reduction of power generation volumes from fossil-based power plants to towards 25% over the next few years (compared to 43% in BY 2020/21) (see Figure 3). The increasing granularity of power generation assets will also gradually decrease the risks of incremental effects from

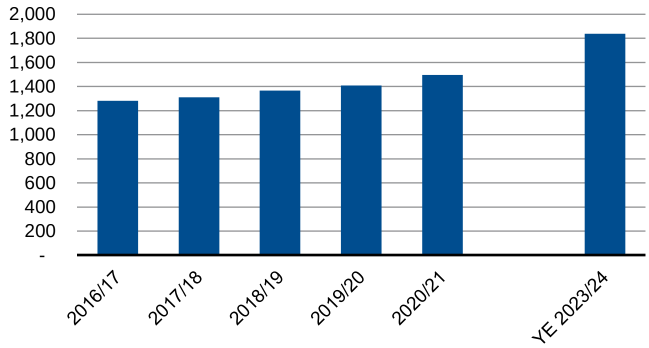
[2] The cornerstones of Austria’s renewable energy strategy are: i) a boost in power generation from renewable energy sources of 27 TWh by 2030; ii) remuneration of newly installed capacities based on market premiums for 20 years; iii) a strengthening of grid infrastructure under the ÖNIP (Integrierter österreichischer Netzinfrastrukturplan); and iv) continued auctions for the operation of thermal back-up power plants.

the underperformance of single generation assets due to lower wind yields or dry hydrological conditions.

Cash flows from regulated grid robust despite reduced interest rates

We believe EVN's regulated electricity grid and gas network activities in Lower Austria will remain a major cash flow driver despite the reduced interest rates on invested capital (regulated asset base – RAB). The regulatory framework ensures robust cash flow generation and broadly stable margins over the long term. We assume the cash flow effect from a reduced weighted average cost of capital (WACC)[3], applied to EVN's RAB as compensation for invested capital, will be comfortably offset by the steady expansion in the RAB (see Figure 5) and the positive effect on regulated distribution tariffs from an above-average productivity factor. Lower cash flow contributions caused by the lower-than-expected distribution volumes should be recovered well in the following years, with some time lag, as evidenced by the higher electricity and gas distribution tariffs from January 2022 (e.g. +8.4% for electricity and +4.7% for gas distribution).

Figure 5: Steady growth in regulated asset base (EUR m) with forthcoming stimulus from accelerated grid investments

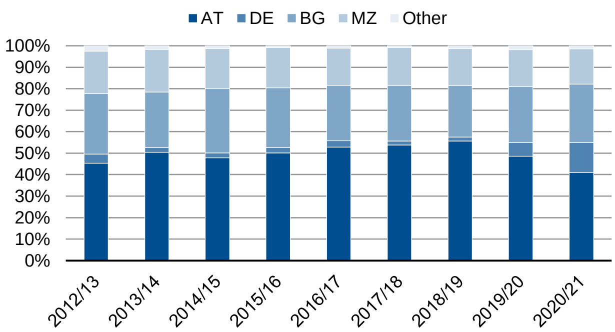


Sources: EVN, Scope estimates

Robust cash flow diversification

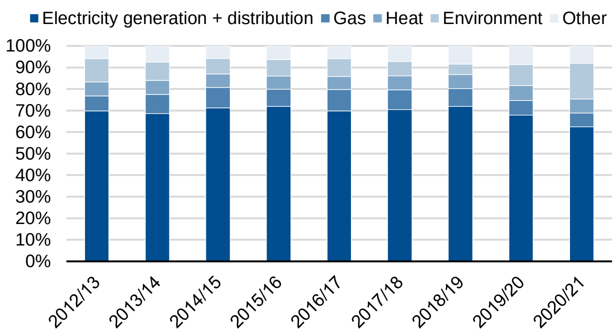
Moreover, EVN's credit quality is supported by its diversified outreach across a wide range of low-correlated utility segments and countries. The group's cash flow also benefits from recurring cash flow of over EUR 100m a year from strategic investments in other robust ventures, primarily RAG-Beteiligungs-Aktiengesellschaft, Burgenland Holding AG, and Verbund AG.

Figure 6: Geographical outreach (based on sales)



Sources: EVN, Scope

Figure 7: Diversification by product type (based on sales)



Sources: EVN, Scope

[3] The WACC for gas assets has decreased for the current five-year regulatory period (2018-22) to 5.2% for new gas distribution network assets and 4.88% for the existing RAB of distribution system operators with average efficiency parameters, from 6.42% in the previous regulatory period. WACC was similarly adjusted for the new regulatory period (2019-23) in electricity distribution, down from 6.42% to 5.2% for new regulated assets and 4.88% on the existing RAB of distribution system operators with average efficiency parameters.

Strong market position in regional energy supply

We highlight EVN's strong market coverage in energy supply – over 70% and 30% in electricity and gas supply, respectively – in its core market of Lower Austria, a market also characterised by comparatively low churn rates. We believe the group's strong coverage is linked to its product offering as a 'one-stop shop' for electricity, gas, heat and other services. This also helps EVN to attract new and/or returning customers amid the currently elevated energy prices, which is difficult for non-diversified smaller energy suppliers that might not continue their offering due to unfavourable hedging or an inflexible tariff policy.

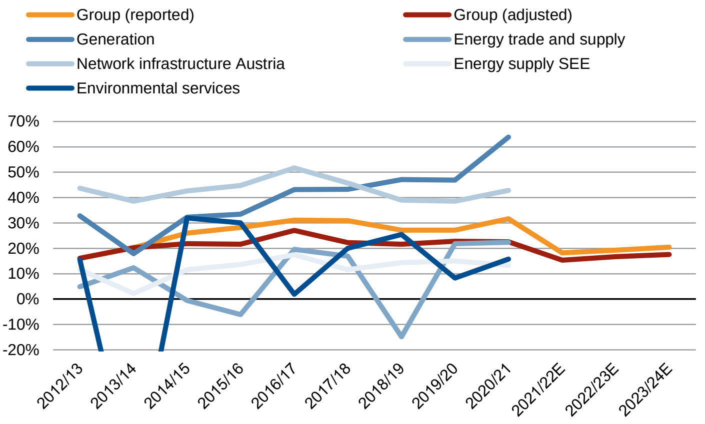
Energy trading and supply adds volatility to EVN's margin

Cash flow generation in EVN's trading and generation divisions tends to be volatile and even negative (e.g. due to adverse energy procurement, price and volume volatility for the remaining thermal capacities or meagre output from wind power plants or in dry hydrological years). This is clearly exemplified by the current market environment, with high energy prices affecting EVN's energy trade and supply activities in its core market and in south-east Europe. The upward pressure on electricity and gas prices will likely add more volatility to EVN's group margin and will put temporary pressure on working capital requirements, resulting in adverse effects on operating and free operating cash flow. We see little hope that energy prices will revert to historical levels any time soon in light of the geopolitical environment in Europe. Nonetheless, we believe that EVN faces limited risks regarding the timely passing on of higher energy procurement costs due to its large exposure to flexible back-to-back or indexed tariff schemes for its customers that broadly ensures a passing on of higher procurement cost with some delay. At the same time, the higher absolute revenue contribution of the low-margin energy trading and supply business will likely have a dilutive effect on the group margin. Overall, we do not expect that EVN will need to cover significant losses in energy trading and supply, like in former periods, due to the nature of such flexible pricing.

Higher business risks in less robust south-eastern European markets

On the negative side, EVN's business risk assessment remains tempered by the higher political, market and regulatory risks present in the liberalised south-east European markets, primarily Bulgaria and Macedonia, which contribute more than 20% of recurring group EBITDA. Group EBITDA and profitability will likely be burdened temporarily by elevated electricity wholesale prices and corresponding cost pressure from grid losses in Bulgaria and North Macedonia that cannot be passed on in the short term by increasing grid tariffs. This will temporarily put additional strain on EVN's group margin until costs related to grid losses can be compensated for with adjusted tariffs in upcoming tariff decisions in July 2022 and July 2023.

Figure 8: Margin volatility in energy trading and environmental services (EBITDA margin)



Sources: EVN, Scope estimates

Project risks for environmental projects largely mitigated

Similarly, EVN's projects in south-eastern Europe and outside of Europe, primarily for environmental services, pose some incremental risks. We expect environmental services to grow significantly over the next few years, bolstered by more than EUR 1.0bn in orders from diverse markets such as Kuwait, Germany, Poland, Lithuania, Romania and Bahrain. While there are potential execution risks for the projects addressing drinking water, wastewater treatment and sewage sludge utilisation as well as potential pressure on net working capital, we believe these risks can largely be mitigated by EVN subsidiary WTE's experience in this area and the public authority funding of these projects.

Financial risk profile: A+

Maintenance of strong financial risk profile supporting the solid rating

EVN's financial risk profile greatly supports its solid investment grade rating and is among the strongest of the European integrated utilities. We continue to regard EVN's financials as fully commensurate with an A+ financial risk profile. This is reflected in sustained low indebtedness, robust debt protection metrics, and the focus on positive free operating cash flow and break-even discretionary cash flow.

Our forecasts primarily reflect the following assumptions:

- Significant topline growth over the next three years related to rising energy prices affecting unregulated generation and energy trading supply in Austria and SEE markets, but also the continued boost from the environmental services division and stimulus from accelerated capex in generation and distribution.
- Dilution of group EBITDA margin to 15%-20% due to the higher contribution from the low margin trading and supply business, environmental services and temporary cost pressure for grid operation in south-eastern Europe caused by temporarily inability to fully cover costs for grid losses, which cannot be fully offset by strong margins in generation and domestic grid business.
- Continued positive margins in energy trade and supply, bolstered by EVN's ability to pass on increased energy procurement costs to customers and hedging policy.
- Recurring cash dividends from strategic shareholdings (RAG, Energie Burgenland, Verbund) at around EUR 100m yearly.
- Use of cash buffer and strong operating cash flows (on average) to fully cover next capex of around EUR 500m and shareholder remuneration with no need for additional debt financing.
- Debt amortisation in line with maturity schedule (with refinancing backed by free operating cash flow, available cash and open committed credit facilities).
- Usage of open committed credit lines for increased working capital requirements in BY 2021/22.
- Slightly increasing dividend payments over the next few years, representing a payout ratio within a range of 35%-55% of recurring net profit.

Scope-adjusted leverage expected to remain below or at 1.5x

We expect EVN's leverage, as measured by SaD/Scope-adjusted EBITDA, to stay within a range of 1.0-1.5x amid increased net capex over the next few years. We also expect EVN's indebtedness, as measured by SaD, to remain broadly stable at a level of around EUR 900-1,000m. This reflects the group's accelerated capex plan under its 'Strategy 2030', which balances net capex and shareholder remuneration against operating cash flow. Leverage is expected to remain within the above corridor, bolstered by solid operating earnings as measured by Scope-adjusted EBITDA within a range of EUR 650-750m over the next few years.

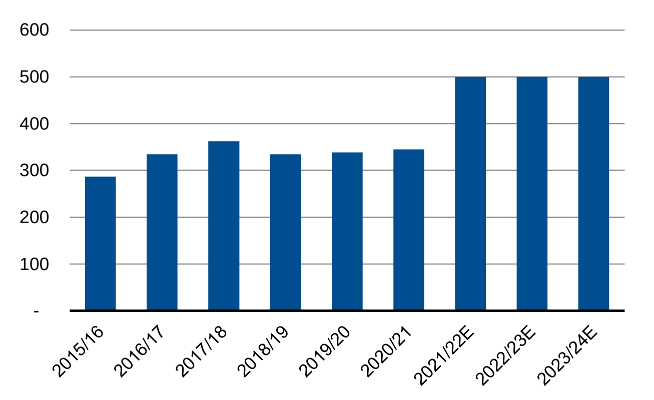
Limited need for external financing

As highlighted above, EVN's capex strategy theoretically requires no external funding over the next few years. EVN has wide access to different debt funding channels such as bank loans, different types of credit lines, public bonds from the group's EUR 2bn issuance programme[4] and Schuldschein (German private placement) debt. Increased

[4] EVN's debt issuance programme was last updated in January 2017. The programme is currently inactive given the group's limited financing needs.

working capital needs can comfortably be funded via external funding channels such as available credit lines.

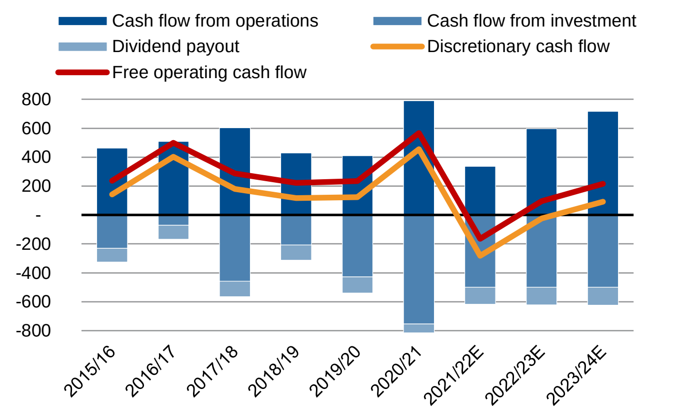
Figure 9: Accelerated net capex* (EUR m)



* including investment grants but excluding divestments

Sources: EVN, Scope estimates

Figure 10: Cash flow profile (EUR m)



Sources: EVN, Scope estimates

Strong debt protection metrics

Debt protection metrics – as measured by Scope-adjusted EBITDA/interest – will likely remain very solid at above 15x, backed by the anticipated operating performance and further savings on annual interest payments after EVN's refinancing of its 4.25% EUR 300m bond in April 2022.

Financial policy focused on preserving strong credit quality

EVN's sustained low indebtedness is consistent with what we regard as a risk-averse financial policy. This is reflected by:

i) its focus on organic growth from internal sources, primarily in its core market, and limited aspirations for major M&A or growth in international projects beyond its current activities;

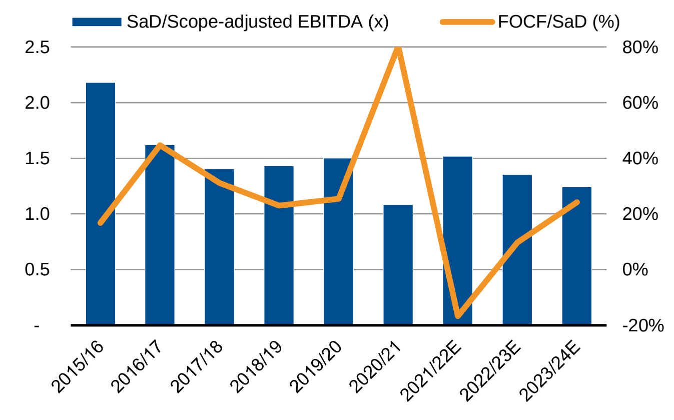
ii) a focus on low-risk assets;

iii) the balancing of payouts for net capex and shareholder remuneration with operating cash flow, which will likely result in a broadly unchanged net financial debt position;

iv) a prudent dividend policy; and

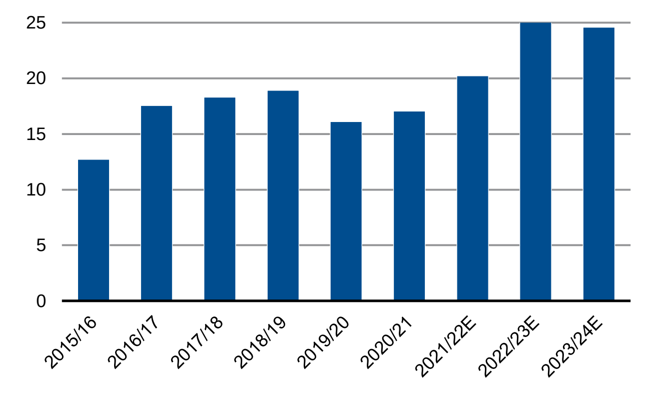
v) a clear focus on maintaining ratings in the A category.

Figure 11: Scope-adjusted leverage and cash flow cover



Sources: EVN, Scope estimates

Figure 12: Debt protection: EBITDA interest coverage



Sources: EVN, Scope estimates

Solid liquidity

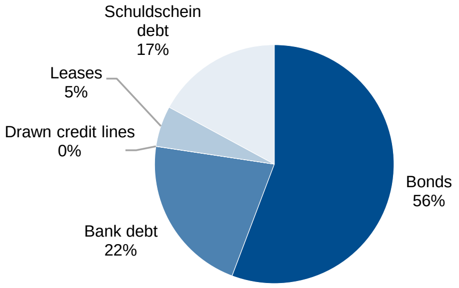
EVN's liquidity remains strong, indicated by liquidity ratios that we expect to stand above 200% at all times. Expected scheduled debt maturities of EUR 324m in BY 2021/22 (of which EUR 300m have already been redeemed through new Schuldschein debt, cash and short-term bank debt), EUR 27m in BY 2022/23 and EUR 110m in BY 2023/24 are likely to be comfortably covered by internal liquidity sources, such as an unrestricted cash buffer of more than EUR 837m at end-Dec 2021, solid average free operating cash flow (positive with the exception of the current business year due to higher working capital requirements), and the strategic liquidity reserve related to EVN's 12.6% stake in Verbund AG currently worth more than EUR 4.4bn. We foresee a limited need to permanently draw down additional liquidity from the group's multi-year credit facilities of around EUR 550m as of June 2021.

Position in EUR m	2021/22	2022/23	2023/24
Unrestricted cash (t-1)	522	489	465
Open committed credit lines (t-1)	552	552	552
Free operating cash flow (t)	-164	96	216
Short-term debt (t-1)	324	27	110
Coverage	**>200%**	**>200%**	**>200%**

Source: Scope estimates

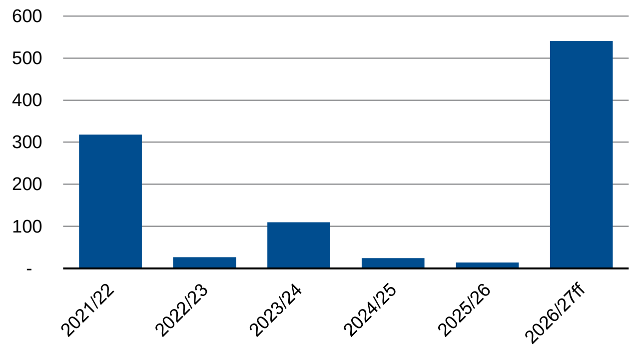
Refinancing is also no major concern, given the utility's strong business and financial risk profiles, its status as a government-related entity and broad access to public and private debt funding channels.

Figure 13: Financing structure at the end of BY 2020/21 (Sep 2021)



Sources: EVN, Scope

Figure 14: Maturity profile (in EUR m) at the end of BY 2020/21 (Sep 2021)

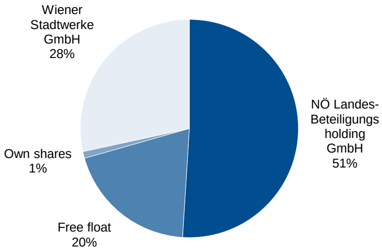


EUR 300m bond maturing in BY 2021/22 fully redeemed in April 2022

Sources: EVN, Scope

Supplementary rating drivers: +1 notch

Shareholder structure



We incorporate a one-notch uplift to EVN's standalone rating of A, leading to a final rating of A+. This follows the framework set out in our rating methodology on government-related entities (bottom-up rating approach), reflecting the controlling parent's 'high' capacity and 'medium' willingness to provide support.

The federal state of Lower Austria, whose credit quality we deem equal or close to the Republic of Austria's (rated AAA/Stable by Scope), holds a 51% majority stake in EVN through its investment vehicle, NÖ Landes-Beteiligungsholding GmbH. The law[5] stipulates that the Lower Austrian province's equity stake in EVN must be at least 51%. In our view, EVN is essential to the federal state, particularly its gas and electricity distribution infrastructure. We note, however, that EVN would rather dispose of non-core assets in south-eastern Europe than risk a liquidity shortfall and request funding from its controlling shareholder.

Long-term and short-term debt ratings

Senior unsecured debt rating: A+

The rating for senior unsecured debt has been affirmed at A+, the same level as the issuer rating.

Short-term debt rating: S-1+

While EVN does not have a commercial paper programme at present, we have affirmed the short-term debt rating of S-1+, which applies to short-term debt maturities. We expect internally and externally available liquidity to cover upcoming debt maturities by more than 200%. Moreover, we regard the group to have strong access to external funding from banks and investors through Schuldschein debt and public bonds.

[5] 'NÖ Beteiligungsgesetz' (7 February 2018) in conjunction with the 'Bundesverfassungsgesetz, mit dem die Eigentumsverhältnisse an den Unternehmen der österreichischen Elektrizitätswirtschaft geregelt werden' (7 February 2018)

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