

**Rating Action: Moody's downgrades EVN's rating to A3; outlook stable**

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**Approximately USD1.1 billion of rated debt affected**

London, 08 September 2010 -- Moody's Investors Service has today downgraded to A3 from A2 (with negative outlook) the long-term senior unsecured debt ratings of EVN AG ("EVN"). The outlook is stable.

The downgrade reflects Moody's view that the implementation of the company's sizeable mid-term investment programme will result in a projected financial profile inconsistent with the previous A2 rating, particularly considering the shift in the company's business risk profile as a result of its increasing exposure to higher risk markets. Whilst Moody's expects that most of EVN's cash flows will continue to be generated in its core market of Lower Austria and has taken into account the planned 10% capital increase announced by EVN in June 2010, which is expected to take place in the second half of 2010, the rating agency has concluded that the company's prospective credit metrics are unlikely to be within the guidance indicated for the previous A2 rating.

Over the past few years, EVN has implemented a relatively aggressive internationalisation strategy, mainly focused on expanding into the developing Eastern and South-eastern European markets. In particular, the company holds material operations in Bulgaria and Macedonia, focusing on electricity distribution and supply activities which, whilst mainly regulated, present a higher level of risk related to the evolving and less stable nature of their regulatory frameworks. EVN is also increasingly committed to expanding its presence in Albania, where the company has recently announced joint ventures with the Austrian generator Verbund (rated A2 with negative outlook) and the Norwegian energy company Statkraft (rated Baa1 with stable outlook) in respect of the construction of hydro plants in the country. In addition, as part of its environmental activities division, EVN is currently present in 15 countries in Central and Eastern Europe. As a result, the share in overall consolidated cash flows that is derived from low risk and stable electricity and gas distribution activities in EVN's domestic market has decreased proportionally from historically strong levels.

Taking into account Moody's assessment of EVN's business risk profile, which reflects the growing importance of the riskier international operations, the rating agency expects EVN to exhibit the following ratios (taking into account Moody's adjustments) on a sustainable basis to support the current A3 ratings: FFO interest coverage ratio of 4.5-5.5x, FFO / Net Debt of 20-25% and RCF / Net Debt of 15-20%.

The outlook associated with EVN's ratings is stable, reflecting Moody's expectation that EVN will exhibit a financial profile in line with the ratio guidance for the A3 rating, when taking into account the planned capital increase. However, Moody's cautions that any material additional debt-funded investment in excess of the current capital programme could reduce the company's financial flexibility at current rating levels and limit its ability to absorb the challenges of a volatile power price environment or potential regulatory/political risks in EVN's international operations.

An improved financial profile, supported by ratios of FFO / Net Debt and RCF / Net Debt in excess of 25% and 20%, respectively, could put upward pressure on the ratings. However, in light of EVN's sizeable investment programme over the period 2010-2013, and the associated increasing contribution from higher risk activities and/or markets, Moody's does not envisage any upward rating pressure in the near term.

On the basis of EVN's current business risk profile and strategy, downward rating pressure could develop if EVN's financial profile were to deteriorate below the minimum parameters for the ratings, including FFO / Net Debt below 20% and RCF / Net Debt below 15% on a sustainable basis.

In light of EVN's 51% ownership by the province of Lower Austria, the company falls under Moody's rating methodology for government-related issuers ("GRIs"). As a reflection of the considerations discussed above, Moody's has revised downward one of EVN's GRI rating inputs - the Baseline Credit Assessment ("BCA"), which represents the company's stand-alone credit quality -- to 8 from 7 (on the scale of 1-21, 8 is equivalent to the Baa1 category). The other GRI rating inputs for EVN are as follows: (1) the Aaa rating of the province of Lower Austria; (2) Moody's assessment of a moderate degree of default dependence between the province and EVN; and (3) the rating agency's assessment of a moderate probability of extraordinary support.

The principal methodology used in rating EVN AG ("EVN") was the Unregulated Utilities and Power Companies rating methodology published in August 2009. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found on Moody's website.

EVN is a multi-utility with primary focus on the province of Lower Austria. The company is the second-largest of the nine Austrian provincial electric utilities, with energy activities (i.e. electricity generation, distribution and supply; gas distribution and supply) accounting for more than 90% of the EUR2.7 billion revenues generated for the financial year ended 30 September 2009.

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