

EVN IR News

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26.08.2021

Business development in the first three quarters of 2020/21

(1 October 2020 – 30 June 2021)

Highlights

- Positive business development supports improvement in revenue, EBIT and Group net result
- Weather-related higher energy demand in Austria, Bulgaria and North Macedonia
- Acquisition of existing wind parks (total installed capacity: 18.5 MW) in Markersdorf-Haindorf, Hürm and Haunoldstein, Lower Austria, increases installed wind power capacity to roughly 400 MW
- Share of renewable electricity generation reaches nearly 60%
- Commissioning of the first section of the 60 km cross-regional drinking water transport pipeline from Krems to Zwettl planned by year-end 2021
- Nine assignments in the international project business for wastewater, drinking water and thermal sewage sludge treatment currently under planning and construction

Key results

- **Revenue:** +12.0% to EUR 1,788.5m
- **EBIT:** +2.6% to EUR 291.9m
- **Group net result:** +6.6% to EUR 224.6m
- **Net debt:** EUR 770.9m (30 September 2020: EUR 1,037.7m)

Effects of the Covid-19 pandemic

Due to EVN's integrated business model and broad customer diversification, the Covid-19 pandemic has had only a limited effect on the development of business and earnings to date. However, the progress of projects in the international environmental services business has been complicated by national lockdowns, travel restrictions and interruptions in international supply chains.

Energy sector environment

The temperatures in EVN's three core markets were lower than the comparable prior year period and the long-term average during the first three quarters of 2020/21. The markets were characterised by rising prices for base load and peak load electricity, natural gas and CO₂ emission certificates throughout the reporting period.

Revenue, EBIT and Group net result above previous year

Revenue recorded by the EVN Group rose by 12.0% year-on-year to EUR 1,788.5m in the first three quarters of 2020/21. This growth was supported primarily by the international project business and, in this connection, the wastewater treatment plant project in Kuwait which started in summer 2020. Other positive factors included an increase in revenue in Bulgaria and in network sales due to the cooler weather in all three core markets as well as the higher network tariffs set by E-Control in Austria as of 1 January 2021. Contrary factors were lower effects from the valuation of hedges for electricity generation and a decline in revenue from natural gas trading.

Other operating income rose to EUR 199.2m (previous year: EUR 68.1m), primarily owing to the effects from the takeover of an additional electricity procurement right. The cost of electricity purchases from third parties and primary energy expenses increased and involved the recognition of additional provisions for onerous contracts and higher energy procurement costs in South East Europe. The decline in revenue from natural gas trading led to a corresponding reduction of the related costs.

Developments in the international project business were responsible for an increase of 82.8% in the cost of materials and services to EUR 359.3m. Personnel expenses were 4.6% higher year-on-year at EUR 271.5m. In addition to adjustments required by collective bargaining agreements, this increase resulted, among others, from additional hiring for the wastewater treatment plant project in Kuwait. The average number of employees equalled 7,133 in the first three quarters of 2020/21 (previous year: 6,999 employees).

The share of results from equity accounted investees with operational nature rose to EUR 155.1m (previous year: EUR 98.5m), chiefly due to an improvement in operating earnings and changes in the valuation effects from hedges held by EVN KG. Another positive effect resulted from a revaluation of EUR 9.6m to the Ashta hydropower plant in the second quarter following a reduction in the country risk premium. In the previous year, an increase in the country risk premium caused by the Covid-19 pandemic led to an impairment loss of EUR 4.9m. EBITDA recorded by the EVN Group totalled EUR 655.1m in the first three quarters of 2020/21 and was 27.5% higher than the previous year.

Scheduled depreciation and amortisation rose by 17.2% to EUR 251.5m owing to the high level of investment and the amortisation of capitalised start-up costs for the project in Kuwait. In connection with the takeover of an additional electricity procurement right, impairment losses of EUR 113.1m were recognised to a thermal power plant. These impairment losses were contrasted, in part, by a revaluation of EUR 1.5m to the Kavarna wind park in Bulgaria following a reduction in the country risk premium. In the first three quarters of 2019/20, the outbreak of the Covid-19 pandemic and the subsequent increase in country risk premiums led to the recognition of impairment losses totalling EUR 14.5m. EVN recorded an increase of 2.6% in EBIT to EUR 291.9m in the first three quarters of 2020/21.

Financial results improved to EUR 2.8m (previous year: EUR –6.7m) supported, among others, by better performance of the R138 fund and the EUR 0.75 dividend per share (previous year: EUR 0.69 per share) from Verbund AG for the 2020 financial year.

The result before income tax rose by 6.1% year-on-year to EUR 294.8m in the first three quarters of 2020/21. After the deduction of EUR 46.8m (previous year: EUR 43.4m) in income tax expense and the earnings attributable to non-controlling interests, Group net result for the period equalled EUR 224.6m. This represents an increase of 6.6% over the previous year.

Solid balance sheet structure

EVN has a solid and stable capital structure which will provide a good foundation over the coming years for the realisation of the extensive investment programme in the areas of supply security, a CO₂-free energy future and drinking water supplies. Net debt declined to EUR 770.9m as of 30 June 2021.

Energy. Water. Life. – Developments in the energy and environmental services business

Energy business

Electricity generation totalled 2,914 GWh in the first three quarters of 2020/21, whereby renewable generation increased by 1.2% year-on-year to 1,744 GWh (previous year: 1,720 GWh). The share of renewable generation equalled 59.9% during the reporting period (previous year: 59.7%). Wind flows fell substantially below the previous year and long-term average, but water flows were above average. Electricity generation in the thermal power plants increased slightly by 0.9% to 1,170 GWh.

The acquisition of three existing wind parks in Markersdorf-Haindorf, Hürm and Haunoldstein (Lower Austria) with a total installed capacity of 18.5 MW increased EVN's installed wind power capacity to 394 MW. The goal is to expand this capacity to 500 MW over the medium-term. As a further measure to reduce specific CO₂ emissions EVN is negotiating with its project partner STEAG and the financing banks to prematurely exit from the Walsum 10 power plant project; subject to the necessary approvals, the closing is expected to take place in the current financial year without any negative impact on the result.

Environmental and water business

The continuous improvement of supply security and drinking water quality in Lower Austria represents a focal point of EVN's investments. The most important projects currently in progress include the construction of the fifth natural filter plant in Petronell-Carnuntum and the expansion of the cross-regional supply pipelines. Construction on the first roughly 20 km section of the 60 km cross-regional drinking water supply pipeline from Krems to Zwettl entered the end phase during the reporting period, and commissioning is expected to take place by the end of 2021.

In the international project business, WTE Wassertechnik had nine projects for wastewater, drinking water and thermal sewage sludge treatment under planning and construction in Germany, Poland, Lithuania, Romania, Bahrain and Kuwait as well as three further thermal sludge utilisation projects in progress in Germany (Halle-Lochau, Hannover und Straubing) through the joint venture with sludge2energy.

Investment programme for the coming years

EVN is planning a far-reaching investment programme for the coming years with annual investments of up to EUR 450m, including roughly three-fourths in Lower Austria. These extensive network investments will protect supply security and support a CO₂-free energy future as well as growth in the Networks Segment. Other focal points for EVN include renewable generation (wind power, photovoltaics and biomass) and drinking water supplies.

Outlook confirmed for the 2020/21 financial year

Under the assumption of average conditions in the energy business environment, EVN expects Group net result of approximately EUR 200 to 230m for the 2020/21 financial year. However, the further course of the corona crisis and the resulting macroeconomic effects could have a negative influence on individual business areas at EVN and, in turn, on the development of earnings for the entire Group.

The Letter to Shareholders on the first three quarters of 2020/21 is available under www.investor.evn.at.

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EVN in figures

		2020/21	2019/20	+/-		2019/20
	GWh	Q. 1-3	Q. 1-3	Nominal	%	
Key energy business indicators						
Electricity generation volumes		2,914	2,880	34	1.2	3,785
Renewable energy sources		1,744	1,720	24	1.4	2,250
Thermal energy sources		1,170	1,160	10	0.9	1,535
Network distribution volumes						
Electricity		17,854	17,052	803	4.7	22,154
Natural gas ¹⁾		13,895	12,964	931	7.2	15,228
Energy sales volumes to end customers						
Electricity		15,532	15,322	210	1.4	19,813
thereof Central and Western Europe ²⁾		6,654	6,404	250	3.9	8,463
thereof South Eastern Europe		8,879	8,918	-40	-0.4	11,351
Natural gas		5,006	4,598	407	8.9	4,957
Heat		2,226	1,940	286	14.7	2,303
thereof Central and Western Europe ²⁾		2,035	1,760	275	15.6	2,111
thereof South Eastern Europe		191	180	11	6.1	192

¹⁾ Incl. Network distribution volumes to EVN power plants

²⁾ Central and Western Europe covers Austria and Germany

		2020/21	2019/20	+/-		2019/20
	EURm	Q. 1-3	Q. 1-3	Nominal	%	
Condensed consolidated statement of operations						
Revenue		1,788.5	1,596.9	191.7	12.0	2,107.5
Other operating income		199.2	68.1	131.1	-	64.4
Electricity purchases and primary energy expenses		-776.0	-711.7	-64.4	-9.0	-888.3
Costs of materials and services		-359.3	-196.5	-162.8	-82.8	-316.9
Personnel expenses		-271.5	-259.5	-12.0	-4.6	-349.3
Other operating expenses		-80.9	-82.1	1.2	1.5	-121.1
Share of results from equity accounted investees with operational nature		155.1	98.5	56.6	57.5	94.1
EBITDA		655.1	513.6	141.5	27.5	590.4
Depreciation and amortisation		-251.5	-214.6	-36.9	-17.2	-296.7
Effects from impairment tests		-111.6	-14.5	-97.1	-	-20.6
Results from operating activities (EBIT)		291.9	284.5	7.5	2.6	273.1
Financial results		2.8	-6.7	9.5	-	-15.8
Result before income tax		294.8	277.8	17.0	6.1	257.3
Income tax expense		-46.8	-43.4	-3.3	-7.7	-28.7
Result for the period		248.0	234.4	13.7	5.8	228.6
thereof result attributable to EVN AG shareholders (Group net result)		224.6	210.7	13.9	6.6	199.8
thereof result attributable to non-controlling interests		23.4	23.7	-0.2	-1.0	28.9
Earnings per share in EUR¹⁾		1.26	1.18	0.1	6.6	1.12

¹⁾ There is no difference between basic and diluted earnings per share.