

EVN IR News

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Business development in the first half of 2021/22

(1 October 2021 – 31 March 2022)

Highlights

- Historic distortions on international energy markets
- Decline in EBIT and Group net result; different effects on diversified business areas
- Construction of three wind power projects with a total of 67.2 MW
- Increase in network investments for the integration of additional renewable generation
- Full commercial operations at the natural filter plant in Petronell
- Commercial commissioning of the thermal sewage sludge treatment plant in Halle-Lochau
- Confirmation of EVN's ratings by Moody's (A1, stable outlook) and Scope Ratings (A+, stable outlook)

Key results

- **Revenue:** +65.5% to EUR 2,126.7m
- **EBITDA:** –21.6% to EUR 420.2m
- **EBIT:** –17.1% to EUR 211.0m
- **Group net result:** –27.6% to EUR 127.4m
- **Net debt:** EUR 1,134.4m (30 September 2021: EUR 813.8m)

Energy sector environment

Temperatures in EVN's three core markets were lower than the long-term average during the first half of 2021/22. Primary energy carriers and CO₂ certificates were faced with massive price increases and significant market distortions during the reporting period. The underlying reasons included the increasing economic recovery after Covid-19 as well as the war in Ukraine. The market prices for base load and peak load electricity followed these trends with a significant increase in the first half of 2021/22. The spot market prices for base load and peak load electricity averaged EUR 211.0 per MWh and EUR 251.4 per MWh, respectively, for a substantial increase over the comparable prior year values of EUR 48.1 per MWh and EUR 58.9 per MWh.

Increase in Revenue, EBIT and Group net result below previous year

Revenue recorded by the EVN Group rose by 65.5% to EUR 2,126.7m in the first half of 2021/22, based on a variety of individual factors: In South East Europe, the upsurge in electricity prices led to sound growth in energy distribution

while weather-related volume effects were responsible for higher network revenue. In Austria, the network tariffs set by E-Control as of 1 January 2021 and 1 January 2022 had a positive influence on network revenue. Other important impulses were provided by price effects from renewable electricity generation and positive valuation effects from hedges. The more frequent use of the Theiss power plant by the Austrian transmission network operator for network stabilisation generally offset the revenue lost from the Walsum 10 power plant following the sale of EVN's investment and the termination of electricity purchases from this source. Growth was also recorded in the international project business.

Other operating income fell by 67.1% year-on-year to EUR 54.4m, chiefly due to the absence of a positive non-recurring effect from the previous year which resulted from the takeover of an additional electricity procurement right.

Similar to the development of revenue, the cost of electricity purchases from third parties and primary energy expenses – which totalled EUR 1,314.0m (previous year: EUR 568.7m) – increased substantially. This development resulted, above all, from higher energy procurement costs in South East Europe, above all to cover network losses, as well as an increase in primary energy expenses from the above-mentioned, more frequent use of the Theiss power plant and higher procurement costs at EVN Wärme. The cost of materials and services increased by 20.6% to EUR 290.4m in line with the development of revenue in the international project business.

Personnel expenses were 1.4% higher year-on-year at EUR 179.4m due to adjustments required by collective bargaining agreements. The average number of employees increased to 7,147 (previous year: 7,140 employees). Other operating expenses rose by 12.4% to EUR 62.4m due to higher receivables write-offs in North Macedonia.

The share of results from equity accounted investees with operational nature fell by 33.0% to EUR 85.2m. A major part of this decline resulted from higher procurement costs for electricity and natural gas at the supply company EVN KG in Austria as well as a lower earnings contribution from RAG. In the previous year, this position also included a revaluation of EUR 9.6m to the Ashta hydropower plant in Albania. EBITDA recorded by the EVN Group fell by 21.6% year-on-year to EUR 420.2m in the first half of 2021/22.

Scheduled depreciation and amortisation declined by 5.9% year-on-year to EUR 158.3m, among others due to the sale of EVN's 49% investment in the Walsum 10 power plant as of 30 September 2021. The effects from impairment tests – which totalled EUR 50.9m in the first half of 2021/22 (previous year: EUR 113.1m) – reflected different effects: In the second quarter of 2021/22, a change in the Group's risk and earnings expectations for future projects based on the ongoing global distortions led to the recognition of an impairment loss to goodwill in the international project business (EUR 52.9m) and to the residual carrying amount of the two sludge-fired combined heat and power plants in Moscow (EUR 4.4m). These impairment losses were contrasted by a revaluation of EUR 6.4m to the Kavarna wind park in Bulgaria to reflect the changed regulatory conditions in combination with an increase in electricity prices. In the previous year, the takeover of an additional electricity procurement right resulted in the recognition of impairment losses totalling EUR 113.3m. In total, EBIT declined by 17.1% to EUR 211.0m.

Financial results dropped to EUR –31.3m (previous year: EUR –21.0m) owing to weaker performance of the R138 fund in the current market environment and as a result of foreign exchange developments. After the deduction of EUR 44.1m (previous year: EUR 38.7m) in income tax expense and the earnings attributable to non-controlling interests, Group net result for the period equalled EUR 127.4m. This represents a year-on-year decline of 27.6%.

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 network infrastructure, renewable generation and drinking water supplies. Net debt totalled EUR 1,134.4mn as of 31 March 2022.

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

Energy business

EVN's electricity generation declined by 3.9% year-on-year to 1,998 GWh in the first half of 2021/22. Renewable generation equalled 1,192 GWh (previous year: 1,112 GWh) and represented 59.7% of the total (previous year: 53.5%). Above-average wind flows offset the reduction in hydropower generation volumes which resulted from a year-on-year decline in water flows. Electricity generation in the thermal power plants declined by 16.8% to 805 GWh due to the sale of the 49% investment in the Walsum 10 power plant as of 30 September 2021. This was, however, offset in part by the increased use of the Theiss power plant for network stabilisation.

In line with the goals for expansion of renewable energy as part of EVN's strategy 2030, there are three wind power projects with a total of 67.2 MW currently in realisation. New construction of wind parks in Schildberg and repowering of existing equipment in Japons with an installed capacity of 12.6 MW each. At the wind park in Palterndorf-Dobermannsdorf (42 MW) high-efficiency 6 MW wind power plants will come into operation for the first time. Commissioning of this wind park is scheduled for the next financial year.

The increased expansion of eco-electricity and the smart metre roll-out are responsible for an increase in network investments to support the continued protection of supply security. There is a massive demand for network expansion and investments in smart grid pilot projects, in particular to accommodate the sharp rise in photovoltaic equipment in the low and medium voltage networks.

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. In March 2022 full commercial operations was started at the already fifth natural filter plant of EVN in Petronell. This plant now supplies ten communities east of Vienna International Airport with drinking water that is naturally softened without the use of chemicals. Also in March 2022 commissioning of the first of three construction sections (Pallweis – Zwettl) on the new 60 km cross-regional connecting pipeline from Krems to Zwettl took place.

In the international project business, WTE Wassertechnik received a contract for the second section of the Cluj-Sălaj drinking water supply project in Romania in March 2022 with a contract value of approximately EUR 45m. The contract comprises construction of transport pipelines, an elevated tank and a cleaning station. In April 2022 commercial commissioning of the thermal sewage sludge treatment plant in Halle-Lochau took place which was built by the 50:50 joint venture sludge2energy. As of 31 March 2022, WTE Wassertechnik had twelve 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 two further thermal sludge utilisation projects in progress in Germany (Hannover und Straubing) through the 50:50 joint venture with sludge2energy.

Outlook confirmed for the 2021/22 financial year

EVN expects Group net result of approximately EUR 200m to EUR 240m for the 2021/22 financial year. However, stronger or sustained distortions on the energy markets could have a negative influence on expected results.

The Letter to Shareholders on the first half of 2021/22 is available under www.investor.evn.at.

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EVN in figures

	GWh	2021/22	2020/21	+/-		2020/21
		HY. 1	HY. 1	Nominal	%	
Key energy business indicators						
Electricity generation volumes		1,998	2,080	-82	-3.9	3,997
Renewable energy sources		1,192	1,112	80	7.2	2,283
Thermal energy sources		805	968	-162	-16.8	1,715
Network distribution volumes						
Electricity		12,888	12,569	320	2.5	23,257
Natural gas ¹⁾		11,277	10,750	527	4.9	16,184
Energy sales volumes to end customers						
Electricity		11,755	10,976	779	7.1	20,207
thereof Central and Western Europe ²⁾		4,613	4,588	26	0.6	8,717
thereof South Eastern Europe		7,142	6,389	754	11.8	11,490
Natural gas		3,950	4,167	-217	-5.2	5,412
Heat		1,782	1,733	49	2.9	2,545
thereof Central and Western Europe ²⁾		1,599	1,569	30	1.9	2,342
thereof South Eastern Europe		183	164	19	11.9	203

¹⁾ Incl. Network distribution volumes to EVN power plants

²⁾ Central and Western Europe covers Austria and Germany

	EURm	2021/22	2020/21	+/-		2020/21
		HY. 1	HY. 1	Nominal	%	
Condensed consolidated statement of operations						
Revenue		2,126.7	1,284.8	841.9	65.5	2,394.9
Other operating income		54.4	165.5	-111.0	-67.1	250.1
Electricity purchases and primary energy expenses		-1,314.0	-568.7	-745.4	-	-1,064.7
Costs of materials and services		-290.4	-240.8	-49.6	-20.6	-509.2
Personnel expenses		-179.4	-176.9	-2.5	-1.4	-361.3
Other operating expenses		-62.4	-55.5	-6.9	-12.4	-113.0
Share of results from equity accounted investees with operational nature		85.2	127.3	-42.1	-33.0	239.6
EBITDA		420.2	535.8	-115.6	-21.6	836.5
Depreciation and amortisation		-158.3	-168.2	9.9	5.9	-337.7
Effects from impairment tests		-50.9	-113.1	62.2	55.0	-112.4
Results from operating activities (EBIT)		211.0	254.5	-43.5	-17.1	386.4
Financial results		-31.3	-21.0	-10.3	-49.0	-20.0
Result before income tax		179.7	233.5	-53.8	-23.0	366.4
Income tax expense		-44.1	-38.7	-5.4	-14.1	-14.7
Result for the period		135.6	194.8	-59.2	-30.4	351.7
thereof result attributable to EVN AG shareholders (Group net result)		127.4	176.0	-48.6	-27.6	325.3
thereof result attributable to non-controlling interests		8.2	18.8	-10.6	-56.4	26.4
Earnings per share in EUR¹⁾		0.71	0.99	-0.3	-27.6	1.83

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