

EVN IR News

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25.08.2022

Business development in the first three quarters of 2021/22

(1 October 2021 – 30 June 2022)

Highlights

- Historic distortions on the international energy markets
- Decline in EBITDA and EBIT; different effects on the diversified business areas
- Pressure on earnings in energy supply due to higher procurement costs
- EVN Climate Initiative:
 - EVN's contribution to reach the "well below 2°C goal" set by the Paris Climate Agreement
 - Increase in investments in the energy future (focus on renewable generation, network infrastructure and drinking water supplies in Lower Austria) to ensure supply security
 - Wind power and photovoltaic projects with a total of roughly 90 MW currently under realisation in Lower Austria
- Issue of a registered bond (EUR 155m) and a promissory note loan (EUR 157m)

Key results

- **EBITDA:** -11.8% to EUR 578.1m
- **EBIT:** -0.6% to EUR 290.2m
- **Group net result:** +1.7% to EUR 228.4m
- **Net debt:** EUR 1,053.4m (30 September 2021: EUR 813.8m)

Energy sector environment

In the first three quarters of 2021/22, the heating degree total – which defines the temperature-related demand for energy – was above the long-term average in EVN's three core markets. In Bulgaria and North Macedonia the heating degree total even exceeded the previous year. Growing economic recovery after Covid-19 as well as the war in Ukraine led to a massive increase in prices for primary energy carriers and CO₂ certificates in the reporting period. Wholesale prices for energy and energy carriers are at all-time highs since summer 2021; yet there are no signs of a turnaround in sight. This development is intensified by the geopolitical environment and the resulting influence on inflation. The spot market prices for base load and peak load electricity averaged EUR 207.2 per MWh and EUR 239.9 per MWh, respectively, and were a multiple of the comparable prior year values of EUR 53.1 per MWh and EUR 62.7 per MWh.

EBITDA and EBIT below previous year

Revenue recorded by the EVN Group rose by 64.6% to EUR 2,943.7m in the first three quarters of 2021/22 and was driven by a number of individual effects. In South East Europe, the sharp rise in electricity prices led to double-digit growth in the energy business. In Austria, the network tariff 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 volume and price effects from renewable electricity generation, price adjustments by EVN Wärme, higher revenue from natural gas trading and positive valuation effects from hedges. In addition, an increase in the use of the Theiss power plant by the Austrian transmission network operator for network stabilisation offset the absence of revenue 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 56.7% year-on-year to EUR 86.3m, 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.

The distortions on energy markets were reflected in a sharp rise in the cost of electricity purchases from third parties and primary energy expenses to EUR 1,702.7m (previous year: EUR 776.0m). The main factors here included a massive increase in energy procurement costs in South East Europe corresponding to the growth in revenue as well as higher primary energy costs for the above-mentioned more frequent use of the Theiss power plant and higher procurement costs for EVN Wärme. The cost of materials and services rose by 33.2% to EUR 478.5m in line with revenue growth in the international project business.

Personnel expenses were 1.8% higher year-on-year at EUR 276.2m due to adjustments required by collective bargaining agreements. The average number of employees increased slightly to 7,142 (previous year: 7,133 employees).

Above all, higher receivables write-offs in North Macedonia led to an increase of 17.6% in other operating expenses to EUR 95.1m. The share of results from equity accounted investees with operational nature fell by 35.1% to EUR 100.7m, whereby most of this decline is attributable to higher procurement costs for electricity and natural gas at EVN KG in Austria. In the previous year, this position also included a revaluation of EUR 9.6m to the Ashta hydropower plant in Albania. The higher demand for natural gas storage led to an increase in the earnings contribution from RAG.

Based on these developments, EBITDA recorded by the EVN Group fell by 11.8% year-on-year to EUR 578.1m in the first three quarters of 2021/22. Scheduled depreciation and amortisation, including the effects of impairment testing, declined to EUR -51.2m (previous year: EUR -111.6m), chiefly due to effects from impairment testing. In the second quarter of 2021/22, a change in the Group's risk and earnings expectations for future projects based on the global distortions had already 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 during the first quarter of 2021/22 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 113.1m. In total, EBIT declined by 0.6% to EUR 290.2m.

Financial results totalled EUR 4.8m in the first three quarters of 2021/22 (previous year: EUR 2.8m). An increase in the dividend from Verbund AG to EUR 1.05 per share for the 2021 financial year (previous year: EUR 0.75 per share) and a decline in interest expenses following the scheduled redemption of a bond due in April 2022 (nominal value: EUR 300m) were contrasted by weaker performance of the R138 fund in the current market environment and negative foreign exchange developments. The result before tax remained nearly unchanged at EUR 294.9m (previous year: EUR 294.8m). After the deduction of EUR 47.2m (previous year: EUR 46.8m) in income tax expense and the earnings attributable to non-controlling interests, Group net result for the period equalled EUR 228.4m. This represents a slight year-on-year increase by 1.7%.

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 1,053.4m as of 30 June 2022. As refinancing for the bond redeemed in April 2022 (nominal value: EUR 300m) two new issues were placed: a registered bond (nominal value: EUR 155m) in April 2022 and a promissory note loan (nominal value: EUR 157m) in July 2022. Terms of tranches vary between five and 16 years.

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

Energy business

EVN's electricity generation declined by 5.2% to 2,763 GWh in the first three quarters of 2021/22. Renewable generation equalled 1,744 GWh (previous year: 1,746 GWh) and represented 64.2% of the total (previous year: 59.9%). Above-average wind flows offset the decline in water flows. Electricity generation in the thermal power plants declined by 15.5% to 989 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 currently wind power and photovoltaic projects with a total of roughly 90 MW under realisation in Lower Austria. New construction of the windparks in Schildberg and Palterndorf-Dobermannsdorf as well as the repowering of the existing equipment in Japons are under realisation. For the windpark Grosskrut-Altlichtenwarth as well as the photovoltaic plant in Trumau construction preparations have started.

Environmental and water business

The improvement of supply security and drinking water quality in Lower Austria represents a further focal point of EVN's investments. Since March 2022 full commercial operations have started in Petronell at the already fifth natural filter plant of EVN. Numerous further transport pipelines are in planning and under construction.

In the international project business, commercial commissioning of the thermal sewage sludge treatment plant, which was built by the 50:50 joint venture sludge2energy in Halle-Lochau, Germany took place in April 2022. As of 30 June 2022, WTE Wassertechnik GmbH 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 (Hanover und Straubing) through the joint venture with sludge2energy.

Outlook confirmed for the 2021/22 financial year

EVN expects Group net result of approximately EUR 200 to 240m for the 2021/22 financial year.

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

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EVN in figures

	GWh	2021/22	2020/21	+/-		2020/21
		Q. 1-3	Q. 1-3	Nominal	%	
Key energy business indicators						
Electricity generation volumes		2,763	2,916	-153	-5.2	3,997
Renewable energy sources		1,774	1,746	29	1.6	2,283
Thermal energy sources		989	1,170	-181	-15.5	1,715
Network distribution volumes						
Electricity		17,989	17,854	135	0.8	23,257
Natural gas ¹⁾		13,966	13,895	71	0.5	16,184
Energy sales volumes to end customers						
Electricity		16,377	15,532	844	5.4	20,207
thereof Central and Western Europe ²⁾		6,665	6,654	12	0.2	8,717
thereof South Eastern Europe		9,711	8,879	833	9.4	11,490
Natural gas		4,642	5,006	-364	-7.3	5,412
Heat		2,214	2,226	-12	-0.5	2,545
thereof Central and Western Europe ²⁾		2,010	2,035	-25	-1.2	2,342
thereof South Eastern Europe		205	191	14	7.2	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
		Q. 1-3	Q. 1-3	Nominal	%	
Condensed consolidated statement of operations						
Revenue		2,943.7	1,788.5	1,155.2	64.6	2,394.9
Other operating income		86.3	199.2	-113.0	-56.7	250.1
Electricity purchases and primary energy expenses		-1,702.7	-776.0	-926.7	-	-1,064.7
Costs of materials and services		-478.5	-359.3	-119.2	-33.2	-509.2
Personnel expenses		-276.2	-271.5	-4.8	-1.8	-361.3
Other operating expenses		-95.1	-80.9	-14.2	-17.6	-113.0
Share of results from equity accounted investees with operational nature		100.7	155.1	-54.4	-35.1	239.6
EBITDA		578.1	655.1	-77.0	-11.8	836.5
Depreciation and amortisation		-236.7	-251.5	14.8	5.9	-337.7
Effects from impairment tests		-51.2	-111.6	60.5	54.2	-112.4
Results from operating activities (EBIT)		290.2	291.9	-1.8	-0.6	386.4
Financial results		4.8	2.8	1.9	68.3	-20.0
Result before income tax		294.9	294.8	0.1	0.1	366.4
Income tax expense		-47.2	-46.8	-0.5	-1.0	-14.7
Result for the period		247.7	248.0	-0.3	-0.1	351.7
thereof result attributable to EVN AG shareholders (Group net result)		228.4	224.6	3.8	1.7	325.3
thereof result attributable to non-controlling interests		19.3	23.4	-4.1	-17.6	26.4
Earnings per share in EUR¹⁾		1.28	1.26	0.0	1.7	1.83

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