

20 November 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating affirmed the unsolicited corporate issuer rating of Verbund AG at **A**, the outlook was updated from stable to **positive**

Creditreform Rating (CRA) has affirmed the ratings of the unsolicited, public corporate issuer rating of Verbund AG – referred as Verbund, Company or Verbund Group, as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Verbund AG at **A** and upgraded the outlook from stable to **positive**. The initial unsolicited short-term rating has been set to **L2** (High level of liquidity).

In its current form, Verbund AG is an Austrian company whose core business is the generation of electricity from hydropower. The Company focuses in particular on forward-looking, sustainable electricity solutions at all stages of the value chain, and on energy-related services for the efficient use of energy.

Today's Verbund AG was founded in 1947 under the 2nd Nationalization Act as "Österreichische Elektrizitätswirtschafts-AG". Verbund AG is successively expanding its range of energy-related services and energy efficiency products, and offers innovative solutions for domestic industrial and commercial enterprises, as well as for private households. In the generation sector, the Company's focus is on increasing efficiency, and the comprehensive ecological upgrading of all power plants.

Verbund AG significantly increased both sales and EBT in the first three quarters of the current fiscal year compared to the same period of the previous year, with sufficient cash flows being generated from its operating business. Based on the Q3 2023 figures, the Company expects a group result of between EUR 2,250 million and EUR 2,450 million for 2023 as a whole.

Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + Sales and earnings growth in the first three quarters of 2023
- + Increase in the earnings forecast for 2023 as a whole based on greater-than-expected economic development seen in the first three quarters of 2023
- + Solid key financial figures
- + Balanced financing structure
- + Very solid equity ratio

- Expansion of debt possible through investments
- High willingness and necessity to invest also required in the future
- Increasing geopolitical risks
- Cost inflation risks

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ESG factors are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Verbund AG we have not identified any ESG factors with significant influence.

The electricity produced by Verbund AG is predominantly generated from renewable energies (hydropower, solar, and wind energy).

The European energy sector as a whole faces a comprehensive transition if the ambitious CO₂ reduction targets set by the EU are to be achieved, which may result in elevated risk for individual companies. As Verbund AG already generates almost exclusively renewable energy today, the necessary adaptation of the Company to the emission reduction targets is considered to be minor. This leads to significantly reduced risk compared to the industry as a whole.

Nevertheless, the tightening regulatory and financial framework conditions are also challenging for companies providing renewable energy and investing in this area. The expansion of "new renewables" (solar and wind energy), which Verbund AG plans, may generally be compliant with the EU taxonomy, which in turn could facilitate the financing of necessary investments.

In addition, Verbund AG has published further emission reduction targets that are considered by the Scientific Targets Initiative (SBTI) to be in line with the goal of the Paris Agreement to limit global warming to 1.5°C.

Nevertheless, it should also be mentioned that the Company's business activities may also have a negative impact on the environment. For example, some of the power plant and grid facilities are located in nature conservation areas, which must be taken into account in particular with regard to the taxonomy conformity of future investments in or sales from these areas.

The business model, and Verbund as a company, make a significant contribution to achieving the EU's climate targets, thereby reducing the Company's risk in the long term. Verbund AG is committed to the Austrian Corporate Governance Code.

In summary, Verbund can be assessed positively from an ESG perspective, which was taken into account in our rating result. The sustainable business model with renewable energies is particularly significant.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Rating result

This unsolicited rating of **A** attests to Verbund AG's high level of creditworthiness and low default risk. The rating is based on the Company's overall well-developed balance sheet and financial structures, as well as its continuous earnings growth in recent years. Consistent cost management and competent, forward-looking risk management can be derived from this. In addition to geopolitical risks and their potential impact on the further economic development of Verbund, the volatility of electricity prices in particular currently has a dampening effect on the rating.

Nevertheless, Verbund AG was able to significantly increase both sales and EBT in the first three quarters of the current fiscal year compared to the same period in the previous year. Sufficient

cash flows were generated from its operating business. Based on the Q3 2023 figures, the Company expects a consolidated result of between approximately EUR 2,250 million and EUR 2,450 million for the full year 2023.

Even against the backdrop of the existing challenges in relation to the energy transition and the European climate targets, we consider Verbund AG to be fundamentally promising and sustainable.

Outlook

The one-year outlook for the rating is **positive**. The outlook reflects our assessment that Verbund AG will be able to achieve its strategic and business objectives based on its stable capital structures, continued positive economic development in line with the forecasts for the coming years, and well-developed cash flows. This outlook is based on the assumption that the economic market environment will not deteriorate.

Best-case scenario: A+

In our best-case scenario for one year, we assume a rating of **A+**. Here we assume that the economic development forecast by the Company for the full year 2023 is met. Furthermore, we assume that Verbund AG will continue to grow profitably in the 2024 financial year, and that there will be no net negative one-off effects on the group result. The risks from the various segments are moderate, and the Company's forward-looking further development progresses as expected. In the assumed scenario, the key asset and financial figures improve, and the current market-related and geopolitical risks and the resulting uncertainty factors are again on the decline.

Worst-case scenario: A-

In our worst-case scenario for one year, we assume a rating of **A-**. We assume that the Verbund Group misses its sales and earnings targets as a result of an increasingly deteriorating environment. The Company's key financial figures have deteriorated accordingly. A possible increase in debt, e.g., in connection with increased investments, could have an additional negative impact. Nevertheless, even in such a case, the Company's solid basic structures should come into play and limit any negative effects. We currently consider this scenario to be rather unlikely.

Business development and outlook

With sales of EUR 10,346.09 million (previous year: EUR 4,776.63 million) and more than 3,000 employees, Verbund AG generated a group net profit (before profit transfer) of EUR 1,948.77 million in 2022 (previous year: EUR 985.09 million), and was therefore able to achieve significant growth compared to the previous year. The Company thus once again demonstrated the growth and profitability potential shown in recent years.

The Company's increased sales and earnings figures are also due to the fact that the companies VERBUND Ventures GmbH and VERBUND Green Power Iberia S.L.U. were newly founded and fully consolidated for the first time in financial year 2022. Furthermore, Verbund acquired a portfolio of Spanish project companies (nine of which were fully consolidated) from the Q-Energy Group with effect from July 28, 2022.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

The development of the key figures in the 2022 financial year compared to the 2021 financial year is summarized in the following table:

Table 1: Business development of Verbund AG I (Source: Annual Report 2022, standardized by CRA)

Verbund AG				
in Mio. EUR	2021	2022	Δ	Δ %
Umsatz	4.776,7	10.346,1	5.569,4	>100,0
EBITDA	1.684,1	3.088,6	1.404,5	83,4
EBIT	1.266,8	2.625,9	1.359,1	>100,0
EBT	1.264,5	2.532,1	1.267,6	>100,0
EAT (nach Abführung)	873,6	1.717,0	873,4	96,6

Verbund AG continued its profitable earnings growth in the first three quarters of the 2023 financial year.

The development of the key figures for the period from January to September 2023 compared to the same period of the previous year is summarized in the following table:

Table 2: Figures of current financial year I Source: Interim report quarters 1-3/2023)

Verbund AG Quartalsergebnisse		
in Mio. EUR	Q1 - Q3 2022	Q1 - Q3 2023
Umsatz	7.617,3	9.789,9
EBITDA	1.933,3	3.549,3
EBIT	1.621,7	3.145,9
EBT	1.598,4	3.127,9
EAT	1.243,4	2.368,2

In the first three quarters of the 2023 financial year, sales revenue again increased significantly, by 28.5% compared to the same period of the previous year, while EBT almost doubled. This was mainly due to the increase in electricity revenue compared to the same period of the previous year. Verbund was thus able to underpin its profitable growth in the current fiscal year.

At EUR 4,153.4 million, cash flow from operating activities for the months from January to September 2023 was significantly higher than the previous year's figure of EUR 1,120.8 million. This is largely due to the significantly higher average prices for electricity, as well as returns from margin payments for hedging transactions in the electricity business.

Overall, we continue to regard the liquidity and financial position of Verbund AG as solid.

Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of Verbund AG was set at **L2** (standard mapping), which corresponds to a high level of liquidity assessment for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Verbund AG, which are included in the list of ECB-eligible marketable assets. The notes have been issued under the prospectuses of 18.11.2014 and 30.03.2021.

We have provided the long-term local currency senior unsecured notes issued by Verbund AG with an unsolicited rating of **A / positive**. The ratings are based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by Verbund AG, which have similar conditions, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the above mentioned issue prospectuses. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 3: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Verbund AG	20.11.2023	A / positive / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by Acciona Financiación Filiales S.A. Unipersonal	20.11.2023	A / positive
Other	--	n.r.

Appendix

Rating history

The rating history is available under <https://www.creditreform-rating.de/en/ratings/published-ratings.html>.

Table 4: Corporate Issuer Rating of Verbund AG

Event	Rating created	Publication date	Result
Initial rating	14.02.2022	17.02.2022	A / stable

Table 5: LT LC Senior Unsecured Issues issued by Verbund AG

Event	Rating created	Publication date	Result
Initial rating	14.02.2022	17.02.2022	A / stable

Table 6: Short-term issuer rating of Verbund AG

Event	Rating created	Publication date	Result
Initial rating	20.11.2023	www.creditreform-rating.de	L2

Regulatory requirements

The rating¹ was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Holger Becker	Lead-analyst	H.Becker@creditreform-rating.de
Esra Höffgen	Analyst	E.Hoeffgen@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Tobias Stroetges	PAC	T.Stroetges@creditreform-rating.de

¹ In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

On 20 November 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 20 November 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found [here](#).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

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Rating ancillary service(s) for the rated entity or/and for the related third party.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's [website](#).

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the [ESMA website](#).

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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