

ACRA AFFIRMS BBB(RU) TO PJSC EVROPEYSKAYA ELEKTROTEKHNICA, CHANGES OUTLOOK TO STABLE

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Despite the materialization of ACRA's expectations regarding the improvement of the assessments of factors of corporate governance of PJSC Evropeyskaya Elektrotehnica (hereinafter, Evropeyskaya Elektrotehnica, the Company, or the Group) owing to the adoption of an updated development strategy, along with the improvement and formalization of management procedures following the acquisition of the Company's majority share by the OMZ Group, the Agency has changed the credit rating outlook from Positive to Stable without upgrading the rating due to the deterioration of scores for leverage and interest payment coverage on the back of rising interest rates. The outlook change has also been influenced by the dynamics of financial metrics in recent reporting periods deviating from values that were projected as part of the Company's previous credit rating revision. In particular, growth of revenues and operational cash flow were significantly lower than previously predicted. The credit rating is based on the small size of business of Evropeyskaya Elektrotehnica compared to major Russian companies, as well as its modest market position in view of the high granularity of the Russian engineering market. Leverage remains moderate despite gradual increase in the Company's debt liabilities during the latest reporting periods. The rating is also supported by a sufficient level of liquidity.

Evropeyskaya Elektrotehnica is one of Russia's leading companies in terms of development and production of energy and power supply systems, lighting systems, low-voltage switchgear assemblies, and modular oil and gas equipment. Since its founding in 2004, Evropeyskaya Elektrotehnica has transformed from a trading company into a full-fledged engineering firm with its own production base. Today, around 40% of products and equipment sold by the Group are manufactured using its own production facilities. The Company is part of OMZ Group, which is a subsidiary of Bank GBP (JSC) (ACRA rating: AA+(RU), outlook Stable).

KEY ASSESSMENT FACTORS

Medium operational profile assessment. Evropeyskaya Elektrotehnica's market share does not exceed 0.5%. However, the Company occupies a leading position in some segments (up to 37% of the Russian market for cable systems, and up to 8% of the market for flare units). The Group's order book covers next year, although the contract base may be significantly expanded, taking into account potential contracts that are highly likely to be signed in the near future. We note that the risk of possible postponement of some contracts has a limited impact on the Group's operations because the order book is sufficiently diversified in terms of clients (mainly major oil and gas sector companies). The Group's sales markets exhibit moderate cyclicality. The share of oil and gas and chemical equipment grew from 23% in 2019 to 37% by the end of 2024. The remaining revenues come almost entirely from electrical equipment and engineering systems sales, which is due to higher demand for these products from oil and gas enterprises. Dependence on subcontracting and components is generally assessed as medium: dependence

on subcontracting is minimal (less than 5%), and the resale of components and equipment has accounted for up to 60–80% of revenues in recent years. Geographic diversification of sales markets is medium, and the share of exports in revenues amounted to 4% in 2024.

Better corporate governance. After the Company joined OMZ Group, a number of positive changes took place that resulted in improvement of the corporate governance assessment factors. In particular, the membership of the board of directors has been expanded, additional financial control functions have been introduced, and an updated development strategy for the next few years has been adopted. Financial transparency is assessed as high — the Group's IFRS reports are published quarterly. In general, the Company's corporate governance is characterized as in line with the size of the Company and the specifics of its activities.

Small business size. According to ACRA's estimates, FFO before net interest payments and taxes was RUB 1.2 bln at the end of 2024. The Agency expects this indicator to exceed RUB 1.3 bln in 2025 and continue to grow moderately in the following years. The average FFO margin before net interest payments and taxes was 15% in 2022–2024. ACRA expects this indicator to remain within 13–17% in the next three years. This margin may additionally be supported by an increase in the share of highly profitable lines of business in the Company's sales.

Higher leverage and interest payments. As of September 30, 2025, the Company's total debt on short-term bank loans amounted to RUB 970 mln. There are no guarantees issued outside the Group's consolidation perimeter. ACRA notes a significant increase in the debt of Evropeyskaya Elektrotehnika this year, although in general leverage remains moderate (the ratio of total debt to FFO before net interest payments is expected to be below 1.0x in 2025). At the same time, a further increase in the Company's leverage may have a negative impact on the credit rating, taking into account the short-term nature of the loan portfolio and the volatility of the operational cash flow (in view of the specifics of settlements under contracts). On the back of growth of debt and higher interest rates, the Company's interest payment coverage also declined — as of the end of 2025, the ratio of FFO before net interest payments to interest payments is expected to be 5.0x (vs. 9.1x in 2024). The main assumptions of ACRA's rating analysis is the absence of any external guarantees provided for, among others, entities belonging to OMZ Group or the Bank GPB (JSC) group; as well as maintaining the ratio of total debt to FFO before net interest payments at no higher than 1.0x. In case of deviations from this scenario, the Group's rating may be revised.

Medium cash flow and sufficient liquidity. As of September 30, 2025, the Company had available credit lines totaling RUB 1.6 bln and held RUB 646 mln in its accounts. Evropeyskaya Elektrotehnika's free cash flow (FCF) was negative the end of 2024 due to the corresponding changes to working capital. ACRA expects FCF to be practically absent in 2025–2026 on the back of planned capital expenditures and dividend payments (the target of which, according to current dividend policy, may amount to up to 50% of the Group's net profits).

KEY ASSUMPTIONS

- Annual revenues of more than RUB 9 bln in 2025–2028;
- FFO before net interest payments and taxes from 2025 to 2027 of more than RUB 1 bln annually;
- FFO margin before net interest payments and taxes in the range of 13–17% from 2025 to 2028;
- Ratio of total debt to FFO before net interest payments exceeding 1.0x;
- Investments as planned in 2025–2028;
- Dividend payments of no more than 50% of net profits in 2025–2028;

- Absence of any external guarantees, including for persons belonging to OMZ Group or Bank GPB (JSC) group;
- Access to external liquidity sources.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Weighted annual FFO before net interest payments and taxes exceeding RUB 5 bln while maintaining the volume and terms of the contract base at lower than the current one;
- Weighted annual FFO margin before net interest payments and taxes stably exceeding 15%.

A negative rating action may be prompted by:

- FFO margin before net interest payments and taxes falling below RUB 0.5 bln and weighted FFO margin before net interest payments and taxes stably lower than 15%;
- Leverage (ratio of total debt to FFO before net interest payments) exceeding 1.0x coupled with coverage (FFO before net interest payments to interest payments) falling below 10.0x;
- Significant deterioration of access to external liquidity sources;
- Significant decline of volumes and periods of the contract base;
- Significant growth of dividend payments as investments grow.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bbb**.

Support: none.

ISSUE RATINGS

There are no outstanding issues.

REGULATORY DISCLOSURE

The credit rating has been assigned to PJSC Evropeyskaya Elektrotekhnica based on the following methodologies: the [Methodology for Assigning Credit Ratings to Non-Financial Corporations under the National Scale for the Russian Federation](#) to calculate the SCA and determine the credit rating and the credit rating outlook of PJSC Evropeyskaya Elektrotekhnica under the national scale for the Russian Federation and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#) to ensure consistent and uniform application of ACRA's methodologies, rating scales, models, and key rating assumptions.

The credit rating of PJSC Evropeyskaya Elektrotekhnica assigned under the national scale for the Russian Federation was published by ACRA for the first time on October 11, 2018.

The credit rating and its outlook are expected to be revised within one year.

The credit rating was assigned based on data provided by PJSC Evropeyskaya Elektrotekhnica, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS accounting (financial) statements of PJSC Evropeyskaya Elektrotekhnica as of December 31, 2024.

The credit rating is solicited and PJSC Evropeyskaya Elektrotekhnica participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to PJSC Evropeyskaya Elektrotekhnica during the year preceding the rating action.

No conflicts of interest were discovered in the course of credit rating assignment.

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