FitchRatings

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Fitch Affirms MVM at 'BBB'; Outlook Negative

Fitch Ratings - Frankfurt am Main - 16 Sep 2026: Fitch Ratings has affirmed MVM Zrt.'s - Hungary's largest electricity and gas utility - Long-Term Foreign- and Local-Currency Issuer Default Ratings (IDR) at 'BBB', with a Negative Outlook. A full list of rating actions is below.

The affirmation reflects MVM's unchanged Standalone Credit Profile (SCP) of 'bbb' and its strong linkage with Hungary (BBB/Negative) under our Parent and Subsidiary Linkage (PSL) Rating Criteria. The Negative Outlook reflects that of the state, as a downgrade of Hungary to 'BBB-' would lead to a downgrade of MVM.

MVM's SCP reflect its leading integrated position across various subsectors of the Hungarian electricity and gas markets. It also reflects a solid share of regulated and quasi-regulated business in EBITDA. Fitch expects funds from operations (FFO) net leverage to grow in the medium term due to high capex, but to remain within rating sensitivities, although with depleted headroom in 2029.

Key Rating Drivers

Earnings to Normalise: We expect MVM's EBITDA and FFO to normalise over the rating case after strong 2023-2025 results. Fitch-calculated yearly average EBITDA will weaken to HUF580 billion in 2026-2027 from HUF815 billion in 2025, before stabilising at about HUF700 billion in 2028. In 2026-2027 MVM will return regulatory account surpluses built up in 2023-2025 as balancing and network loss costs were below tariff assumptions. We also expect wholesale EBITDA to stabilise at HUF100 billion, below the exceptional HUF300 billion 2022-2024, due to a more stable price environment and generally more conservative assumptions about these margins.

Paks Outage-related Costs Covered: A temporary reduction in output at the Paks nuclear power plant affected MVM's results majorly in July and August 2026. The nuclear generation and wholesale businesses were most affected, as low-cost nuclear output was lower than expected and had to be replaced by higher-priced market purchases to support supply.

Fitch expects these losses to be offset by stronger-than-planned group performance in 1H26, with reported EBITDA of HUF519 billion (HUF478 billion in 1H25). The wholesale results benefited from inventory releases, additional gas trading and higher volumes due to colder weather. The infrastructure results were supported by lower system operator costs and favourable cross-border capacity auctions, although this excess result will be returned to customers in later years.

Supportive Regulated Infrastructure: The rating reflects the solid share of regulated activities in reported EBITDA, expected at about 30% in 2026-2030. However, the results are more volatile than at peers. Changes in market prices can shift balancing and network-loss costs away from tariff assumptions, creating temporary shortfalls or surpluses that are usually passed on to customers with a two-year lag.

New CCGT Units Boost Profits: MVM's new 1,521 megawatt combined cycle gas turbines (CCGTs) under construction should be operational from 2029, facilitating the group's transition to natural gas from coal. This will support EBITDA growth in generation activity (expected to exceed 30% of reported EBITDA in 2029), due also to the phase-out of its loss-making, lignite-based Mátra power plant.

Wholesale Market Normalises: The wholesale subsector is one of the group's main profit centres, off-taking energy from the generation business and selling it on the market. This segment's results tend to be volatile depending on market conditions. We expect profitability from the segment to normalise in 2027-2030, contributing on average 13% of reported EBITDA.

Recovered Retail Results: Retail EBITDA recovered to HUF146 billion in 2025 or 19% of reported EBITDA, after weak results from losses in universal gas and electricity service in 2024. The recovery reflected compensation for past losses under the regulatory mechanism and gains in the competitive segment. We expect results to weaken but remain solid, supported by compensation for past losses through 2027, with the segment averaging 14% of reported EBITDA in 2026-2030.

Exposure to Russian Gas: MVM has a large exposure to gas imports from Russia as the offtaker in a long-term import contract with Gazprom. In view of the EU ban of the Russian gas from 1 October 2027, the group has signed several contracts and continues to explore alternatives, but has not yet entered into definitive agreements sufficient to cover country's total needs.

Negative FCF Generation: We expect negative free cash flow (FCF) over 2026-2030, driven by large capex averaging HUF700 billion a year, up from HUF355 billion a year in 2023-2025. The investment plan supports MVM's energy transition strategy, with 50% of capex for generation, in particular CCGTs, and 40% for networks. High capex will lead to an increase in FFO net leverage, which should remain within rating sensitivities for the 'bbb' SCP, although with depleted headroom in 2029, when we expect a peak at 3.4x (up from 2.3x in 2025). The commissioning of CCGTs should support deleveraging from 2030.

Strong PSL Linkage: We view the links between the Hungarian state and MVM as strong under our PSL Criteria. A downgrade of Hungary to 'BBB-' would lead to a downgrade of MVM. Our assessment of the stronger subsidiary's legal ring-fencing and access and control factors is 'open', due to full state ownership, effective control and open ring-fencing.

GRE Analysis: Under our Government-Related Entities (GRE) Rating Criteria, we have 'Strong Expectations' of support, underlined by a support score of 25 points. This would lead to an uplift if MVM's SCP became weaker than the sovereign rating. Fitch assesses decision-making and oversight as 'Very Strong' because the government tightly controls MVM's operations, and precedents of support as 'Strong', due to past equity injections. Preservation of government policy role is 'Strong', as MVM has a crucial role in the security of electricity and gas supply in Hungary through implementing the government's energy strategy. Fitch does not see material contagion risk.

Peer Analysis

MVM's central European peers are PGE Polska Grupa Energetyczna S.A. (PGE, BBB/Stable), ENEA S.A. (, BBB/Stable), TAURON Polska Energia S.A. (Tauron, BBB-/Positive) and Bulgarian Energy Holding EAD (BEH, BB+/Stable, Standalone Credit Profile (SCP): bb).

MVM has better integration and business diversification than PGE, ENEA and Tauron, which are focused on a specific line of business, such as electricity generation or distribution, and have a higher exposure to coal. MVM's balance sheet and working capital are highly exposed to changes in gas inventories due to seasonality and changes in gas prices. This results in higher volatility in MVM's cash flows and leverage than at peers. MVM's net debt and leverage at year-end is also higher than during the year when gas inventories are lower.

MVM's peers are all state-controlled (either by the Polish or Bulgarian governments). The Polish peers are rated at a standalone level without any uplift for state links, while BEH's 'BB+' rating includes a one-notch uplift for links with the Bulgarian state. BEH is more comparable with MVM in business diversification, as its activities include generation, transmission and supply of electricity, as well as transmission, transit and supply of gas, on top of lignite mining. However, BEH is a negative outlier in the peer group in corporate governance and has lower cash flow predictability, due to the higher merchant exposure of its generation assets.

Fitch's Key Rating-Case Assumptions

- Annual EBITDA and FFO generation to normalise over 2026-2030. Yearly average EBITDA and FFO to weaken to about HUF580 billion and HUF450 billion, respectively, in 2026-2027 as surplus earnings in network services are returned to customers through regulatory accounts, before stabilising at about HUF700 billion and HUF560 billion from 2028 onwards

- Capex averaging HUF700 billion a year in 2026-2030, with development capex focusing on decarbonisation (replacing coal-fired assets with gas-fired assets), and network infrastructure development

- Dividends in line with MVM's guidance for 2026; Dividends at 50% of annual net income of the previous year during 2027-2030, averaging an annual payout of about HUF70 billion

- Grants to fund capex averaging HUF70 billion a year in 2026-2030

Corporate Rating Tool Inputs and Scores

Fitch scored the issuer as follows, using its Corporate Rating Tool (CRT) to produce the SCP:

Business and financial profile factors (assessment, relative importance): management ('bbb', Lower), sector characteristics ('bbb', Moderate), market and competitive positioning ('bbb+', Moderate), diversification and asset quality ('bbb+', Moderate), company operational characteristics ('bbb+', Higher), profitability ('bb', Moderate), financial structure ('a+', Moderate), and financial flexibility ('bbb+', Moderate).

The quantitative financial subfactors are based on standard CRT financial period parameters: 20% weight for the historical year 2025, 40% for the forecast year 2026 and 40% for the forecast year 2027.

The governance assessment of 'good' has no impact.

The operating environment assessment of 'bbb-' has no impact.

The SCP is 'bbb'.

To derive the Long-Term IDR:

Application of Fitch's PSL Rating Criteria results in a consolidated approach.

Application of Fitch's GRE Rating Criteria results in a constrained approach.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Negative rating action on Hungary would lead to similar rating action on MVM due to the sovereign cap

- FFO net leverage above 3.5x and FFO interest cover below 5x on a sustained basis would be negative for the SCP, but not necessarily for the IDR, provided Hungary's rating was unchanged

- Substantial adverse change in the business profile, such as a material reduction in the share of regulated or quasi-regulated business in total EBITDA

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- We do not anticipate an upgrade due to the Negative Outlook on Hungary

- A revision of Hungary's Outlook to Stable would lead to similar rating action on MVM, assuming the SCP was not revised down

- FFO net leverage below 2.5x on a sustained basis, supported by a more stringent financial policy, and a stronger business risk profile, may be positive for MVM's SCP, but not for the IDR, which remains capped by the sovereign rating

Liquidity and Debt Structure

At end- 2025, MVM had unrestricted cash of HUF271 billion and undrawn committed facilities of HUF803 billion with maturities of over 12 months. In addition, it issued HUF15 billion bonds in March 2026. These will cover debt maturities of HUF265 billion and Fitch-projected FCF after acquisitions, divestitures and capex, of about HUF530 billion over the next 12 months.

MVM maintains solid liquidity during the year, supported by active management of seasonal swings in working capital, including year-end drain on liquidity.

Issuer Profile

MVM is Hungary's largest electricity and gas utility. Its domestic operations span electricity generation, gas imports, gas storage, electricity transmission, and electricity and gas distribution. It is also the main supplier of wholesale and retail electricity and gas in Hungary.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

Public Ratings with Credit Linkage to other ratings

MVM's ratings are credit-linked to Hungary's ratings.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

Click here to access Fitch's latest quarterly Global Corporates Sector Forecasts Monitor data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

Climate Vulnerability Signals

The results of our Climate.VS screener did not indicate an elevated risk for MVM.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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Rating Actions

ENTITY/DEBT	RATING			RECOVERY	PRIOR
MVM Zrt.	LT IDR	BBB	Affirmed		BBB
	LC LT IDR	BBB	Affirmed		BBB
• senior unsecured	LT	BBB	Affirmed		BBB

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Corporate Rating Criteria (pub.09 Jan 2026) (including rating assumption sensitivity)

Corporates Recovery Ratings and Instrument Ratings Criteria (pub.02 Aug 2024) (including rating assumption sensitivity)

Government-Related Entities Rating Criteria (pub.18 Jul 2025)

Parent and Subsidiary Linkage Rating Criteria (pub.27 Jun 2025)

Sector Navigators – Addendum to the Corporate Rating Criteria (pub.09 Jan 2026)

Applicable Models

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.2.0 (1)

Additional Disclosures

Solicitation Status

Endorsement Status

MVM Zrt.	EU Issued, UK Endorsed

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