MVM Zrt.

Ratings

Rating Type	Rating	Outlook	Last Rating Action
Long-Term Local-Currency IDR	BBB	Stable	New Rating 22 Jun 2021
Long-Term IDR	BBB	Stable	New Rating 22 Jun 2021
Standalone Credit Profile	bbb		New Rating 22 Jun 2021

Click here for full list of ratings.

Applicable Criteria

Corporate Rating Criteria (December 2020)

Parent and Subsidiary Linkage Rating Criteria (August 2020)

Government-Related Entities Rating Criteria (September 2020)

Analysts

Arkadiusz Wicik
+48 22 338 6286
arkadiusz.wicik@fitchratings.com

Artur Galbarczyk
+48 22 338 6291
artur.galbarczyk@fitchratings.com

The 'BBB' Long-Term Issuer Default Ratings (IDRs) reflect MVM Zrt.'s high market share and an integrated position across the various segments of the Hungarian electricity and gas markets. They also reflect a solid share of regulated and quasi-regulated business in MVM's EBITDA, which contributes to cash-flow predictability. The ratings also incorporate MVM's smaller size of operations and lower financial transparency than some regional peers'.

We expect the company's funds from operations (FFO) net leverage to increase to about 3.3x in 2022-2023 due to large capital expenditure (capex) and acquisitions, reducing rating headroom, but still supporting a Stable Outlook.

MVM's Long-Term IDRs are at the company's Standalone Credit Profile (SCP) of 'bbb'. The company benefits from tangible support from its sole owner, the Hungarian state (BBB/Stable), but the linkage currently has no impact on MVM's IDRs, as Hungary's IDR and MVM's SCP are at the same level.

Key Rating Drivers

Leading Market Position: The business profile of MVM benefits from its strong market position in Hungary, spanning electricity generation (62% market share), gas imports (off-taker in the main gas imports contract), gas storage (65% market share), electricity transmission (100% market share), electricity and gas distribution (12% and 48%, respectively), as well as electricity and gas wholesale and retail supply as the main company in the market.

As a result, MVM has better integration and business diversification in electricity and gas than most of its central European peers.

Substantial Regulated and Quasi-Regulated Business: MVM's business profile also benefits from an estimated 45% average share of regulated and quasi-regulated EBITDA in the Fitch rating case over 2020-2023. The regulated component contains electricity transmission and electricity and gas distribution, while the quasi-regulated contribution comes primarily from gas storage and renewable generation.

RAB-remunerated Networks: The regulatory framework for networks in Hungary is based on a regulatory asset base (RAB) concept and matches the EU's standards. The framework benefits from full insulation from volume risk through a two-year correction mechanism, which is supportive of the business profile of MVM's regulated networks.

Low-Carbon Generation: MVM has lower exposure to rising CO_2 costs and is better positioned in the energy transition than most of its Fitch-rated central European peers. This is attributed to the low carbon footprint of the company's 3.8GW generation fleet, which is based on nuclear generation (53% of 2020 generation capacity), natural gas and other (19%) and renewables (5%), complemented by coal, biomass and waste (23%).

The carbon footprint will decrease further upon the planned phase-out of coal by 2025 by replacing its Matra coal-fired power plant with combined cycle gas turbine (CCGT) capacity, which will be positive for the business profile of MVM's electricity generation.

Expansion in Central Europe: MVM's strategy provides for expansion in central Europe, so that by 2025 25% of EBITDA should be generated abroad. The international expansion would improve geographical diversification, but would also lead to execution and profit-dilution risks, therefore we currently view it as largely neutral for MVM's credit profile. In late 2020, MVM acquired Innogy Czech Republic, a leading Czech supplier of natural gas and electricity, which was its first large international acquisition.

Financial Policy Consistent with Rating: MVM's management targets net-debt/EBITDA of up to 2.5x in the current business plan until 2025, which is consistent with the 'bbb' SCP. The plan was approved by the state as the sole shareholder. Net-debt/EBITDA was 1.4x in 2020 based on preliminary numbers under IFRS.

The management expects to reach the maximum 2.5x in 2024 due to an ambitious capex and acquisitions plan. We assume that the company has some flexibility to reduce or postpone capex and acquisitions or consider equity funding, if needed, to maintain net debt/EBITDA within the limit.

Expected Leverage Increase: We expect MVM's FFO net leverage to increase to about 3.3x in 2022-2023 from about 1.5x in 2020, reducing rating headroom, but still supporting the Stable Outlook. Large capex and acquisitions will be driven by investments in low-carbon generation (construction of two CCGT plants), expansion of transmission and distribution networks, nuclear safety and regional acquisitions.

Strong State Links: Fitch applies its *Government-Related Entities (GRE) Rating Criteria* in the analysis of MVM's linkage with the Hungarian state. We assess status, ownership and control links as 'Strong', and support track record as 'Moderate'. We view the socio-political implications of MVM's default as 'Moderate', whereas the financial implications of MVM's default for the Hungarian government are assessed as 'Weak'.

This assessment results in a support score of 12.5 points, indicating moderately strong links with the state. However, the links currently have no impact on MVM's IDRs, as Hungary's IDR and MVM's SCP are at the same level.

Strategic Position: MVM is Hungary's national energy utility and is 100% government-owned. It has a strategic importance for the economy, it consolidates most of the country's energy sector and is the government's tool in implementation of energy and climate policies.

Tangible State Support: MVM has historically benefited from substantial tangible support from the state, most recently through large equity injections in 2020 totalling about HUF230 billion (EUR0.65 billion), mainly related to the acquisition of a stake in E.ON Hungary, the acquisition of EMASZ electricity distributor, and investments in distribution. State support, particularly that provided in 2020, improved MVM's balance sheet, which would have otherwise substantially deteriorated if the acquisitions were fully debt-funded.

Financial Summary

MVM Zrt.

(HUFbn)	Dec 18	Dec 19	Dec 20F	Dec 21F	Dec 22F
Gross revenue	1,149	1,325	1,468	2,236	2,321
Operating EBITDAR margin (%)	3.2	15.1	14.8	10.7	10.5
FFO margin (%)	5.5	7.6	12.4	7.8	7.1
FFO interest coverage (x)	30.9	29.6	27.8	21.2	14.5
FFO net leverage (x)	3.4	3.2	1.5	2.0	3.2

F – Forecast
Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

MVM's central European peers are PGE Polska Grupa Energetyczna S.A. (PGE, BBB+/Stable), Polskie Gornictwo Naftowe i Gazownictwo S.A. (PGNiG, BBB/Stable), ENEA S.A. (BBB/Stable), TAURON Polska Energia S.A. (Tauron, BBB-/Stable) and Bulgarian Energy Holding EAD (BEH, BB/Positive, SCP: b+).

MVM has better integration and business diversification than PGE, ENEA and Tauron, which are focused on a specific line of business, such as generation or distribution, and also have higher exposure to coal. MVM's business is also more diversified than gas-oriented PGNiG, although the latter also runs oil and gas upstream operations. However, MVM has a smaller size of operations than PGE, PGNiG, ENEA and Tauron, and also lower financial transparency (eg lack of interim results and longer time to prepare annual financial statements).

BEH is more comparable to MVM in business diversification and size, as its activities include generation, transmission and supply of electricity, as well as transmission, transit and supply of gas, on top of lignite mining and telecom operations. However, BEH is a negative outlier in the peer group in leverage, cash-flow predictability and corporate governance.

MVM's leverage is higher than PGNiG's, comparable to that of PGE and ENEA, lower than Tauron's and much lower than BEH's.

MVM peers are all state-controlled (by Polish or Bulgarian government, respectively), but listed in a stock exchange with the state owning a controlling stake (the exception is BEH, which is, similarly to MVM, 100% controlled by the state).

The Polish peers are rated at a standalone level without any uplift for state links, while the 'BB' rating of BEH includes a two-notch uplift for links with the Bulgarian state. We assess BEH's links with the state as stronger than MVM's, but MVM's 'bbb' SCP is also much stronger than BEH's 'b+'. While the sovereign ratings of Bulgaria and Hungary are the same at 'BBB', no rating uplift is applicable to MVM.

Navigator Peer Comparison

Issuer		Business profile						Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility
Bulgarian Energy Holding EAD	BB/Pos	bbb	bb-	bbb-	bb	bb+	bbb-	b+	bb	bb-
ENEA S.A.	BBB/Sta	a-	bbb+	bbb	bbb	bbb	bb	bbb	a	bbb+
MVM Zrt.	BBB/Sta	bbb+	bbb	bbb	bbb	bbb	bbb+	bbb-	a-	bbb+
PGE Polska Grupa Energetyczna S.A.	BBB+/Sta	a	a-	bbb	bbb	bbb+	bb	bbb	a	bbb+
Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG)	BBB/Sta	a	bbb+	bbb-	bbb	bbb-	bbb	bb+	a	bbb+
TAURON Polska Energia S.A.	BBB-/Sta	a	bbb+	bbb+	bbb	bbb	bb	bbb-	bbb	bbb

Source: Fitch Ratings. Importance: Higher, Moderate, Lower

Rating Sensitivities

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

- FFO net leverage below 2.5x on a sustained basis, supported by the management's conservative financial policy, together with a stronger business risk profile, for instance, due to increased share of regulated and quasi-regulated businesses in EBITDA, may be positive for MVM's SCP. However, the rating will be capped by the sovereign rating, due to strong linkage between MVM and the state assessed under the *Parent and Subsidiary Linkage Rating Criteria*, unless Hungary's rating is upgraded.

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

- Deterioration of credit ratios, including FFO net leverage above 3.5x and FFO interest cover below 6x on a sustained basis, for example, due to lower margins in generation, losses in gas wholesale and retail supply, large investments not adequately compensated by EBITDA increase or an aggressive dividend policy
- Substantial adverse change in the business profile, such as a material reduction in the share of regulated or quasi-regulated business in total EBITDA

- A negative rating action on Hungary would lead to similar rating action for MVM as the latter's rating would start to be capped at the sovereign level due to the strength of linkage between MVM and the state under our assessment

Liquidity and Debt Structure

Solid Liquidity: MVM has a solid liquidity position. At end-2020, it had unrestricted cash of HUF246 billion (according to IFRS, including about HUF2 billion of cash held at project-finance companies) and undrawn committed facilities of about HUF263 billion, excluding facilities expiring in 2021. This liquidity is sufficient to cover debt maturities, negative free cash flow and net acquisitions until at least end-2022 under a conservative scenario assuming no debt refinancing and no inflows from subsidies and grants to co-fund capex.

The three main revolving credit facilities (two syndicated facilities in euros and in Hungarian forint, respectively, and the Bank of China's facility) expire between 2023 and 2026 when exercising the extension option.

In March 2021, MVM signed a new HUF100 billion, 10-year acquisition facility to refinance the acquisition of Innogy Czech Republic, which further improved its liquidity position.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Liquidity and Debt Maturity Scenario with No Refinancing

MVM Zrt. – Liquidity Analysis

(HUFm)	2021F	2022F
Available liquidity		
Beginning cash balance	243,595[a]	142,307
Rating-case FCF after acquisitions and divestitures	-151,435	-262,978
Debt issued since last balance sheet	100,000	
Cash inflow from equity increases	4,000	
Total available liquidity (A)	**196,160**	**-120,671**
Liquidity uses		
Debt maturities	-53,853	-5,253
Total liquidity uses (B)	**-53,853**	**-5,253**
Liquidity calculation		
Ending cash balance (A+B)	142,307	-125,923
Revolver availability	262,654	262,654
Ending liquidity	**404,962**	**136,731**
Liquidity score (x)	6.6	27.0
Liquidity score adjusted (including cash inflows obtained during the year) (x)	8.5	27.0

F – Forecast
[a] Excluding cash and cash equivalents held at project financed companies
Source: Fitch Ratings, Fitch Solutions, MVM Zrt.

Scheduled debt maturities[a] (HUFm)	Original 31 December 2020
2021	53,853
2022	5,253
2023	10,459
2024	109,009
2025	6,979
Thereafter	336,102
Total	**521,654**

[a] Excluding lease liabilities
Source: Fitch Ratings, Fitch Solutions, MVM Zrt.

Key Assumptions

Fitch's Key Assumptions Within Our Rating Case for the Issuer:

- Infrastructure EBITDA growth driven by the recognised operating expenditure and capex effect on tariffs and acquisition of EMASZ electricity distributor from E.ON in 3Q21
- Generation EBITDA growth driven by contribution from renewables
- Planned restructuring of the public-utility cable tax and the special income tax for energy suppliers, starting from 2023, reducing MVM's tax burden
- Total capex and acquisitions for 2021-2024 averaging about HUF370 billion per year
- Maintenance capex accounting for about 50% of total capex (falling to 22% by 2025), mostly focused on planned maintenance of power plants and network assets to ensure proper and safe supply of electricity

- Development capex focusing on decarbonisation, digitalisation and future-oriented infrastructure development
- Capex partly funded by domestic and EU grants and subsidies in a total amount of HUF273 billion over 2021-2025
- Maintenance of a low dividend policy by the state (HUF7.5 billion per year)
- No equity injections by the state over 2021-2025 (except for a small cash injection and contribution in kind already received in April 2021)

Fitch projections are prepared under IFRS.

Financial Data

MVM Zrt.

	Historical		Forecast		
(HUFm)	Dec 18	Dec 19	Dec 20F	Dec 21F	Dec 22F
Summary income statement					
Gross revenue	1,149,028	1,325,472	1,468,400	2,235,664	2,320,908
Revenue growth (%)	6.3	15.4	10.8	52.3	3.8
Operating EBITDA (before income from associates)	34,661	194,251	212,507	234,507	238,707
Operating EBITDA margin (%)	3.0	14.7	14.5	10.5	10.3
Operating EBITDAR	36,570	199,744	218,000	240,000	244,200
Operating EBITDAR margin (%)	3.2	15.1	14.8	10.7	10.5
Operating EBIT	-79,005	48,149	36,345	40,679	18,167
Operating EBIT margin (%)	-6.9	3.6	2.5	1.8	0.8
Gross interest expense	-1,936	-3,517	-6,714	-8,555	-12,147
Pretax income (including associate income/loss)	-73,572	53,540	31,631	33,124	6,120
Summary balance sheet					
Readily available cash and equivalents	35,607	28,159	245,774	109,298	19,641
Total debt with equity credit	255,801	360,463	521,654	465,054	586,054
Total adjusted debt with equity credit	269,164	398,914	560,105	503,505	624,505
Net debt	220,194	332,304	275,880	355,756	566,413
Summary cash flow statement					
Operating EBITDA	34,661	194,251	212,507	234,507	238,707
Cash interest paid	-2,101	-3,498	-6,714	-8,555	-12,147
Cash tax	-62,082	-847	-44,397	-28,519	-25,937
Dividends received less dividends paid to minorities (inflow/(out)flow)	2,418	5,040	456	701	3,640
Other items before FFO	89,861	-94,900	17,893	-25,132	-39,729
Funds flow from operations	62,872	100,274	181,745	174,002	164,634
FFO margin (%)	5.5	7.6	12.4	7.8	7.1
Change in working capital	29,670	-29,958	10,623	18,303	-7,385
Cash flow from operations (Fitch defined)	92,542	70,316	192,368	192,305	157,249
Total non-operating/nonrecurring cash flow	0	0			
Capex	-142,675	-143,476			
Capital intensity (capex/revenue) (%)	12.4	10.8			
Common dividends	-7,500	-3,493			
Free cash flow	-57,633	-76,653			
Net acquisitions and divestitures	-30,538	33,104			
Other investing and financing cash flow items	58,593	-122,241	114,937	67,559	52,321
Net debt proceeds	42,618	129,787	161,191	-56,600	121,000
Net equity proceeds	0	28,555	228,500	4,000	0
Total change in cash	13,040	-7,448	217,615	-136,476	-89,657
Leverage ratios					
Total net debt with equity credit/operating EBITDA (x)	5.9	1.7	1.3	1.5	2.3
Total adjusted debt/operating EBITDAR (x)	6.9	1.9	2.6	2.1	2.5
Total adjusted net debt/operating EBITDAR (x)	6.0	1.8	1.4	1.6	2.4
Total debt with equity credit/operating EBITDA (x)	6.9	1.8	2.5	2.0	2.4
FFO adjusted leverage (x)	4.0	3.7	2.9	2.7	3.4
FFO adjusted net leverage (x)	3.5	3.4	1.6	2.1	3.3
FFO leverage (x)	3.9	3.5	2.8	2.6	3.3
FFO net leverage (x)	3.4	3.2	1.5	2.0	3.2
Calculations for forecast publication					
Capex, dividends, acquisitions and other items before FCF	-180,713	-113,865	-479,380	-343,740	-420,227
Free cash flow after acquisitions and divestitures	-88,171	-43,549	-287,012	-151,435	-262,978
Free cash flow margin (after net acquisitions) (%)	-7.7	-3.3	-19.5	-6.8	-11.3
Coverage ratios					
FFO interest coverage (x)	30.9	29.6	27.8	21.2	14.5
FFO fixed charge coverage (x)	16.7	12.1	15.7	13.3	10.3
Operating EBITDAR/interest paid + rents (x)	9.7	22.8	17.9	17.1	14.1
Operating EBITDA/interest paid (x)	17.6	57.0	31.7	27.5	20.0
Additional metrics					
CFO-capex/total debt with equity credit (%)	-19.6	-20.3	7.6	-3.1	-15.2
CFO-capex/total net debt with equity credit (%)	-22.8	-22.0	14.4	-4.0	-15.8

Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

Ratings Navigator

Bar Chart Legend:			
Vertical Bars = Range of Rating Factor		Bar Arrows = Rating Factor Outlook	
Bar Colours = Relative Importance		⇧	Positive
■	Higher Importance	⇩	Negative
■	Average Importance	⇳	Evolving
■	Lower Importance	□	Stable

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MVM Zrt.

Corporates Ratings Navigator
EMEA Utilities

Operating Environment

a-	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
bbb+	Financial Access	bbb	Average combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
b-			
ccc+			

Management and Corporate Governance

a-	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb+	Governance Structure	bbb	Good governance track record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	a	Group structure has some complexity but mitigated by transparent reporting.
bbb-	Financial Transparency	bb	Financial reporting appropriate but with some failings (eg lack of interim or segment analysis).
bb+			

Revenue Visibility

a-	Size and Integration	a	Top-tier position in more than one market. Vertically integrated (typically including generation, transmission, distribution and supply).
bbb+	Earnings from Regulated Network Assets	bbb	Less than 40% of EBITDA comes from high-quality regulated network assets.
bbb	Quasi-Regulated Earnings	bbb	10%-20% of EBITDA comes from quasi-regulated assets or from long-term contracted sales with creditworthy counterparties.
bbb-			
bb+			

Regulatory Environment

a-	Regulatory Framework and Policy Risk	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
bbb+	Cost Recovery and Risk Exposure	bbb	Tariff setting that may limit efficiently incurred cost and investment recovery, with moderate regulatory lag, price and volume risk.
bbb			
bbb-			
bb+			

Market Position

a-	Fundamental Market Trends	bbb	Markets with emerging structural challenges.
bbb+	Generation and Supply Positioning	a	Strong position in the merit order; effective hedging; flexible fuel procurement. Generation balanced with strong position in supply and services.
bbb	Customer Base and Counterparty Risk	bbb	Economy of area served provides structurally stable background; medium counterparty risk; fair collection rates for supply operations.
bbb-			
bb+			

Asset Base and Operations

a	Asset Quality	bbb	Mid-range asset quality not likely to affect opex and capex requirements compared with peers.
a-	Asset Diversity	bbb	Partial diversification by geography, generation source, supplied product.
bbb+	Carbon Exposure	a	Energy production mostly from clean sources and low carbon exposure (< 300gCO2/kWh).
bbb			
bbb-			

Profitability and Cash Flow

bbb+	Free Cashflow	bb	Structurally negative FCF across the investment cycle.
bbb	Volatility of Profitability	bbb	Stability and predictability of profits in line with utility peers.
bbb-			
bb+			
bb			

Financial Structure

a+	FFO Leverage	a	3.5x
a	FFO Net Leverage	a	3.0x
a-			
bbb+			
bbb			

Financial Flexibility

a	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread debt maturity schedule but funding may be less diversified.
bbb+	FFO Interest Coverage	a	5.5x
bbb	FX Exposure	bbb	Some FX exposure on profitability and/or debt/cash flow match. Effective hedging.
bbb-			

Credit-Relevant ESG Derivation

MVM Zrt. has 12 ESG potential rating drivers

- Emissions from operations
- Fuel use to generate energy
- Impact of waste from operations
- Plants' and networks' exposure to extreme weather
- Product affordability and access
- Quality and safety of products and services; data security

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

For further details on Credit-Relevant ESG scoring, see page 3.

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

FitchRatings

MVM Zrt.

Corporates Ratings Navigator
EMEA Utilities

Credit-Relevant ESG Derivation

MVM Zrt. has 12 ESG potential rating drivers

- MVM Zrt. has exposure to emissions regulatory risk but this has very low impact on the rating.
- MVM Zrt. has exposure to energy productivity risk but this has very low impact on the rating.
- MVM Zrt. has exposure to waste & impact management risk but this has very low impact on the rating.
- MVM Zrt. has exposure to extreme weather events but this has very low impact on the rating.
- MVM Zrt. has exposure to access/affordability risk but this has very low impact on the rating.
- MVM Zrt. has exposure to customer accountability risk but this has very low impact on the rating.

Showing top 6 issues

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	12	issues	3
not a rating driver	2	issues	2
	0	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Emissions from operations	Asset Base and Operations; Profitability and Cash Flow	5
Energy Management	3	Fuel use to generate energy	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	4
Water & Wastewater Management	2	Water used by hydro plants or by other generation plants; effluent management	Asset Base and Operations; Market Trends and Risks; Profitability and Cash Flow	3
Waste & Hazardous Materials Management; Ecological Impacts	3	Impact of waste from operations	Asset Base and Operations; Profitability and Cash Flow	2
Exposure to Environmental Impacts	3	Plants' and networks' exposure to extreme weather	Asset Base and Operations; Profitability and Cash Flow	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow	4
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility	3
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility	2
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Asset Base and Operations; Profitability and Cash Flow	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Strategy development and implementation	Management and Corporate Governance	5
Governance Structure	3	Board independence and effectiveness; ownership concentration	Management and Corporate Governance	4
Group Structure	3	Complexity, transparency and related-party transactions	Management and Corporate Governance	3
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

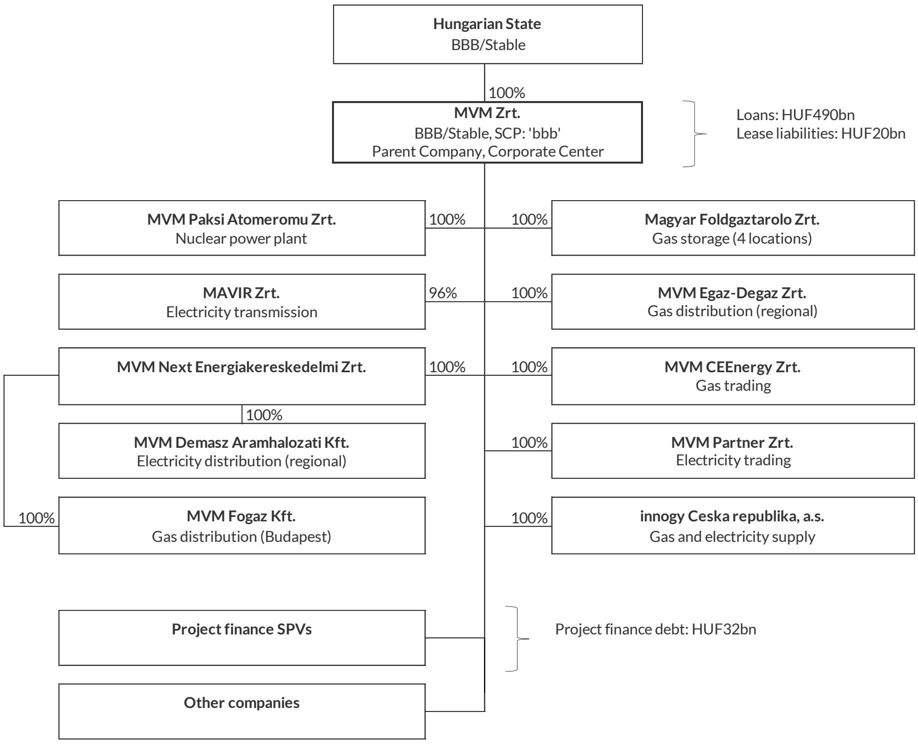
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Simplified Group Structure Diagram



Source: Fitch Ratings, Fitch Solutions, MVM Zrt., data as at end-2020

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	Gross revenue (EURm)	Operating EBITDAR margin (%)	FFO margin (%)	FFO interest coverage (x)	FFO net leverage (x)
MVM Zrt.	BBB						
		2019	4,162	15.1	7.6	29.6	3.2
		2018	3,601	3.2	5.5	30.9	3.4
		2017	3,513	12.6	9.7	16.4	1.3
PGE Polska Grupa Energetyczna S.A.	BBB+						
	BBB+	2020	10,308	13.0	11.3	14.7	1.2
	BBB+	2019	8,753	19.1	15.2	19.0	1.7
	BBB+	2018	6,086	24.8	20.5	17.8	1.7
Polskie Gornictwo Naftowe i Gazownictwo SA (PGNiG)	BBB						
	BBB	2020	8,828	37.2	33.0	168.1	-0.3
	BBB	2019	9,776	14.0	9.9	55.5	0.6
	BBB-	2018	9,673	16.7	15.5	177.8	0.1
ENEA S.A.	BBB						
	BBB	2020	4,098	18.3	14.2	10.8	2.3
	BBB	2019	3,816	21.1	17.4	13.2	2.1
	BBB	2018	2,973	19.7	16.8	10.8	2.7
TAURON Polska Energia S.A.	BBB-						
	BBB-	2020	4,602	18.5	18.0	10.6	3.1
	BBB	2019	4,772	16.8	12.2	7.3	4.3
	BBB	2018	4,251	17.6	14.5	10.0	3.5
Bulgarian Energy Holding EAD	BB						
	BB	2020	2,289	20.8	22.5	11.1	4.2
	BB	2019	2,723	18.6	18.8	11.1	4.6
	BB	2018	2,958	11.1	8.7	5.9	4.0

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

Fitch Adjustments and Reconciliation Table for MVM Zrt.

(HUFm)	Notes and Formulas	Reported Values	Sum of Adjustments	Adjusted Values
31 December 2019				
Income Statement Summary				
Revenue		1,325,472		1,325,472
Operating EBITDAR		201,877	-2,133	199,744
Operating EBITDAR After Associates and Minorities	(a)	206,917	-2,133	204,784
Operating Lease Expense	(b)	0	5,493	5,493
Operating EBITDA	(c)	201,877	-7,626	194,251
Operating EBITDA After Associates and Minorities	(d) = (a-b)	206,917	-7,626	199,291
Operating EBIT	(e)	50,769	-2,620	48,149
Debt and Cash Summary				
Total Debt with Equity Credit	(f)	375,376	-14,913	360,463
Lease-Equivalent Debt	(g)	0	38,451	38,451
Other Off-Balance-Sheet Debt	(h)	0		0
Total Adjusted Debt with Equity Credit	(i) = (f+g+h)	375,376	23,538	398,914
Readily Available Cash and Equivalents	(j)	28,159		28,159
Not Readily Available Cash and Equivalents		50,341		50,341
Cash Flow Summary				
Operating EBITDA After Associates and Minorities	(d) = (a-b)	206,917	-7,626	199,291
Preferred Dividends (Paid)	(k)	0		0
Interest Received	(l)	228		228
Interest (Paid)	(m)	-3,984	486	-3,498
Cash Tax (Paid)		-847		-847
Other Items Before FFO		-97,033	2,133	-94,900
Funds from Operations (FFO)	(n)	105,281	-5,007	100,274
Change in Working Capital (Fitch-Defined)		-29,958		-29,958
Cash Flow from Operations (CFO)	(o)	75,323	-5,007	70,316
Non-Operating/Nonrecurring Cash Flow		0		0
Capital (Expenditures)	(p)	-143,477	1	-143,476
Common Dividends (Paid)		-3,493		-3,493
Free Cash Flow (FCF)		-71,647	-5,006	-76,653
Gross Leverage (x)				
Total Adjusted Debt/Operating EBITDAR[a]	(i/a)	1.8		1.9
FFO Adjusted Leverage	(i/(n-m-l-k+b))	3.4		3.7
FFO Leverage	(i-g)/(n-m-l-k)	3.4		3.5
Total Debt with Equity Credit/Operating EBITDA[a]	(i-g)/d	1.8		1.8
(CFO-Capex)/Total Debt with Equity Credit (%)	(o+p)/(i-g)	-18.2%		-20.3%
Net Leverage (x)				
Total Adjusted Net Debt/Operating EBITDAR[a]	(i-j)/a	1.7		1.8
FFO Adjusted Net Leverage	(i-j)/(n-m-l-k+b)	3.2		3.4
FFO Net Leverage	(i-g-j)/(n-m-l-k)	3.2		3.2
Total Net Debt with Equity Credit/Operating EBITDA[a]	(i-g-j)/d	1.7		1.7
(CFO-Capex)/Total Net Debt with Equity Credit (%)	(o+p)/(i-g-j)	-19.6%		-22.0%
Coverage (x)				
Operating EBITDA/(Interest Paid + Lease Expense)[a]	a/(-m+b)	51.9		22.8
Operating EBITDA/Interest Paid[a]	d/(-m)	51.9		57.0
FFO Fixed-Charge Coverage	(n-l-m-k+b)/(-m-k+b)	27.4		12.1
FFO Interest Coverage	(n-l-m-k)/(-m-k)	27.4		29.6

[a] EBITDA/R after dividends to associates and minorities.

Source: Fitch Ratings, Fitch Solutions, MVM Zrt.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.