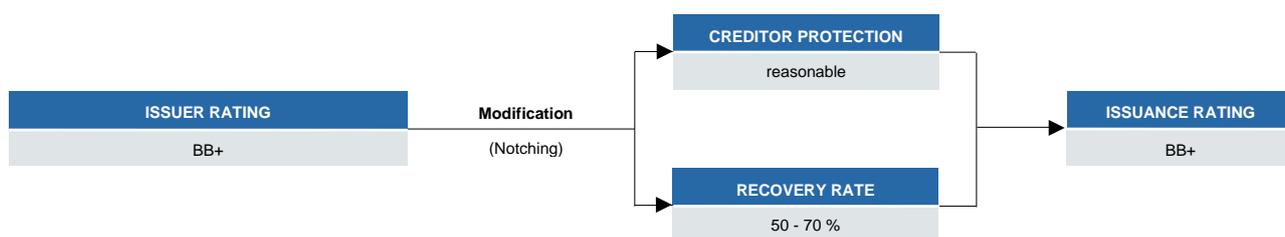


Issuance Rating

OPUS TIGÁZ Gázhálózati Zrt. Senior unsecured bonds (2021/2031) (ISIN HU0000360292)		6 September 2021	BB+
		Issuance rating	
Industry	Regulated Utility Companies	Issuance volume	HUF 50bn
		Coupon (% p.a.)	2.80%



ISSUER RATING	BB+
<ul style="list-style-type: none"> Low to moderate business risks due to established market regulation, distribution license and predictable operations Slightly increased financial risks due to restricted earnings potential and moderate financial flexibility No modification for operational risks or external influence 	

CREDITOR PROTECTION	reasonable
<ul style="list-style-type: none"> Final bond terms and conditions (12 Mar 2021) Partially amortising bond structure Reasonable, market standard terms esp. with view to termination rights, covenants and negative clauses 	

BOND RANKING	senior unsecured
<ul style="list-style-type: none"> Exclusive source of long-term funding Robust senior ranking 	

RECOVERY	50 – 70 %
<ul style="list-style-type: none"> Hypothetical default scenario based on going concern assumption Expected recovery rate: 50% - 70% 	

KEY DATA		
Listing	since 18 Jun 2021	Budapest Stock Exchange (BSE Xbond; HU0000360292)
Nominal value	HUF 50bn	Annual settlement date: 24 March
Denomination	HUF 50.000.000	1.000 bonds HUF 50mn = HUF 50bn (total issuance volume)
Coupon	2.80% p.a. fix	Annual coupon payments from 24 Mar 2022 (retrospective)
Amortisation	partially amortising	2022-2026 3% p.a. / 2027-2030: 9% p.a. / 2031: 49% balloon payment
Term to maturity	10 years	Term started on 24 Mar 2021, maturity date is 24 Mar 2031
Collateral	none	Senior unsecured bonds

Rating rationale

Scope Hamburg confirms the BB+ issuance rating for OPUS TIGÁZ' 2021/31 senior unsecured bonds with a total nominal value of HUF 50bn. The rating is derived from the current issuer credit rating (BB+), the bond's structural ranking, reasonable creditor rights and adequate recovery expectations in a hypothetical bond default scenario.

***Robust senior ranking
within post issuance
capital structure***

OPUS TIGÁZ' HUF 50bn senior unsecured bonds (2021/31; fixed annual coupon rate 2.80%) are governed by Hungarian law and are structured as partially amortising balloon notes with a term of 10 years. Overall we assess the bonds to be subject to a robust senior ranking, as the net proceeds were used to fully replace the previous providers of external senior (secured) debt financing (MKB Bank). This brings the relative ranking of the bond holders into the most senior position, as the proportion of higher ranking secured long-term financial debt remains zero post issuance.

***Reasonable creditor
protection rights***

OPUS TIGÁZ' unpledged assets represent a notable long-term borrowing base. For holders of unsecured debt it is important to mitigate the risk of becoming significantly disadvantaged in the event of additional (secured) debt issues, when permitted. For regulated utilities we generally expect lower risks, as structural protection rules often limit their ability to raise new debt by requiring a certain amount of unencumbered assets. Nevertheless, a standard set of reasonable creditor protection clauses has been included into the final bond terms. In our view, the applied clauses such as pari passu, negative pledge, rating deterioration or cross default keep the issuers capital structure under control while ensuring equal rights of payment and equal seniority with any new debt issues. We also acknowledge the binding commitment for partial amortisation.

***50%-70% expected recovery
rate based on hypothetical
default scenario***

Our recovery expectation for the senior unsecured bonds follows a hypothetical default scenario based on a going concern assumption. At present, OPUS TIGÁZ' overall creditworthiness is driven by an already low probability of default mainly as a result of a perpetual territory-based gas distribution license, highly predictable operating cash flows and reliable market regulations, which is supportive in sustaining the typically high long-term debt levels of regulated utilities (cp. BB+ issuer rating report). In a hypothetical default scenario, however, we assume a material deterioration of the issuer's overall creditworthiness as a cause of adverse market regulation leading up to depressed long-term profit prospects and stressed going concern values. We also assume that ranking and size of debt claims will usually change prior to default, and that the issuer would be forced to pledge its assets to raise new debt as its credit quality gradually deteriorates. As a consequence, loss given default usually rises disproportionately the higher the probability of default is. This applies especially to unsecured debt. Nevertheless, we still expect adequate recovery rates of between 50%-70% for the unsecured senior bonds, as regulated utilities have proven to maintain higher values in distressed situations due to their integral assets which serve for public services that cannot be replaced. Our assessment leads to the equalization of the bond issuance rating with the current issuer rating of OPUS TIGÁZ Gázhálózati Zrt. (BB+).

Upgrade / Downgrade Factors

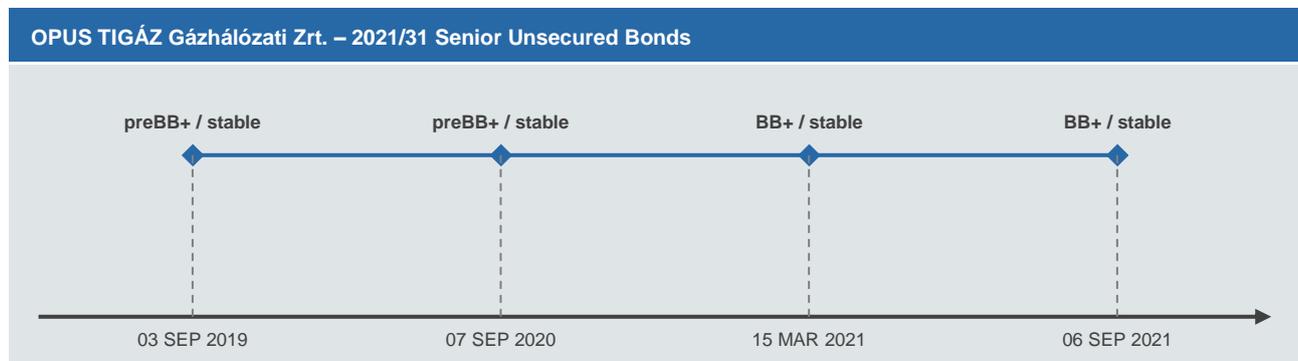
Factors that could lead to an Upgrade

- Upgrade of OPUS TIGÁZ' issuer credit rating
- Lasting improvement of the bond's expected recovery rate

Factors that could lead to a Downgrade

- Downgrade of OPUS TIGÁZ' issuer credit rating
- Lasting deterioration of the bond's expected recovery rate

Rating history



Issuance

***Issue proceeds used
to reorganize capital
structure***

OPUS TIGÁZ' HUF 50bn senior unsecured bonds (2021/31; fixed annual coupon rate 2.80%) are governed by Hungarian law and are structured as partially amortising balloon notes with a term of 10 years. The balloon payment (49%) is due at maturity (24 Mar 2031). On 25 March 2021 the net proceeds were used to fully replace all existing third-party financial liabilities (31 Dec 2020: HUF 32bn) and large parts of a (subordinated) shareholder loan (31 Dec 2020: HUF 25bn). As of 30 Jun 2021 the company's financial liabilities contained senior unsecured bonds (HUF 50bn) and the remaining fraction of the (subordinated) shareholder loan (HUF 7bn).

***Issuing process
March 2021***

OPUS TIGÁZ applied for MNB's "Bond Funding for Growth Scheme" (BGS) and initiated a private placement process under the advice of MKB Bank (issuing agent) in Q1 2021. Besides the Central Bank of Hungary (MNB) a further ten institutional investors signed up for the bonds. Allocation of the bonds and settlement with the paying agent took place on 24 Mar 2021 (settlement date). Since 18 Jun 2021 the bonds are registered with the Budapest Stock Exchange (BSE Xbond; HU0000360292).

***Issuance rating based on
bond documentation of
12 Mar 2021***

The issuance rating is linked to OPUS TIGÁZ' current issuer credit rating (BB+; 6 Sep 2021), which is subject to a regular, ongoing monitoring process. Furthermore, the bond's rating is assigned based on the final bond documentation as of 12/03/2021, which is the basis for our assessment on the bond's structural ranking, creditor rights and recovery expectations.

Appendix 1: Execution

Notice

This report represents a supplement to the issuer rating report from 6 September 2021. The issuance rating is derived from the current issuer rating (subject to ongoing monitoring). The full rationale for the issuer rating notation can be found in the issuer rating report.

Analysts

- Matthias Peetz, Senior Analyst (lead analyst)
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Rating committee

- Dörte Mählmann, Director
- Kai Gerdes, Director

Rating, Solicitation, Principal Sources of Information

- This credit rating has been issued in accordance with the CRA Regulation.

Solicited Rating

Unsolicited Rating

No participation of the rated entity or related third party

With participation of the rated entity or related third party

Access to internal documents

Access to management

- Prior to its publication the rating was disclosed to the rated entity. During this period, the rated entity had the opportunity to review the rating and to verify the underlying assumptions. Following this review, the rating was not amended.
- Principal sources of information:
 - Final bond documentation (as of 12/03/2021)
 - Business plan provided by the issuer
 - Management interviews

Rating methodologies and definitions

- [Scope Hamburg GmbH Issue Rating Methodology as of December 2014](#)
- [Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)
- [Guidance Regarding the Consideration of ESG Factors in Scope Hamburg Credit Ratings as of March 2020](#)

Scope Ratings GmbH and Scope Ratings UK Limited apply the same methodologies/models and key rating assumptions for their credit rating services, while [Scope Hamburg GmbH's](#) methodologies/models and key rating assumptions are different from those of Scope Ratings GmbH and Scope Ratings UK Limited.

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Appendix 2: Rating categories *

Category	Explanation
AAA	In the opinion of Scope Hamburg, AAA rated obligations demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of Scope Hamburg, AA rated obligations demonstrate a very high credit quality with a very low default risk.
A	In the opinion of Scope Hamburg, A rated obligations demonstrate a high credit quality with a low default risk.
BBB	In the opinion of Scope Hamburg, BBB rated obligations demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of Scope Hamburg, BB rated obligations demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of Scope Hamburg, B rated obligations demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of Scope Hamburg, CCC rated obligations demonstrate a very low credit quality with a high default risk.
CC	In the opinion of Scope Hamburg, CC rated obligations demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of Scope Hamburg, C rated obligations demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated obligations have defaulted, as defined by the rating agency. The rated obligation is assigned an SD rating (Selective Default) if the issuer only defaulted on certain debt obligations.
PLUS (+) MINUS (-)	Rating categories from AA to CCC are modified by a PLUS (+) or MINUS (-), where required, in order to show their relative position within the rating category.

* For more explanations and definitions please refer to:
[Basic Principles for Assigning Credit Ratings and Other Services as of July 2020](#)

Disclaimer

Magyar Nemzeti Bank (client) engaged Scope Hamburg GmbH to review the rating of the 2021/31 senior unsecured bonds (rated obligation) of OPUS TIGÁZ Gázhálózati Zrt. (issuer) on 07 June 2021. Interviews with the issuer were conducted on 26 August 2021.

The Rating Committee of Scope Hamburg GmbH reviewed the rating process, issued the rating notation and approved the rating report in its current form on 6 September 2021. This rating report was given to the client on 6 September 2021, thereby concluding the rating process.

The rating is Scope Hamburg GmbH's opinion of the creditworthiness of a certain obligation. It is not a statement of fact. Scope Hamburg GmbH is not engaged in buying or selling securities. Its rating report is neither a prospectus nor a substitute for information assembled and presented by companies or issuers for investors regarding the purchase of a security or for assessing the creditworthiness of a rated entity. The rating is not a recommendation to participate in certain facilities. All recipients of the information must conduct their own independent analyses, credit assessments and other verifications and evaluations that are customary and necessary in order to reach a final decision about participating in any facility.

The issuer is solely and exclusively liable for any errors and omissions in the documents and information openly and willingly provided to us in response to our requests for information. The issuer has reviewed the rating report and certified that all the information considered in the rating report is accurate and complete in all significant respects, no significant aspects have been concealed and any forward-looking statements are based on plausible, verifiable and current data and were prepared by the issuer exercising reasonable and commercial care. The issuer's representatives have issued a written certification of completeness to Scope Hamburg GmbH. However, the issuer cannot be held liable if actual results differ from the forward-looking statements presented in this document, particularly the projections. Forward-looking statements and projections may be adversely affected by unforeseeable events and changes in the economic environment. Scope Hamburg GmbH assumes no liability for the accuracy of the information it considers when issuing a rating and extends no guarantee whatsoever that the information is explicitly or implicitly correct, timely, complete, suitable for the market or fit for any particular purpose.

The rating is published on Scope Hamburg GmbH's website (www.scopehamburg.com) or published for subscribers (e.g. on a portal) and will be followed by a subsequent one-year monitoring process. During this period, the issuance, the issuer and the sector and business environment in which it operates will remain under observation. The representatives of the issuer remain subject to a full disclosure obligation during this period. Any change in Scope Hamburg GmbH's rating assessment will result in a change in the published rating notation, meaning that this notation represents the current rating assessment at all times. The rating will only remain published after the end of the monitoring period if a follow-up rating is performed.

Please note that summaries of contracts, laws and other documents contained in the rating report cannot replace careful study of the complete texts. Scope Hamburg GmbH cannot guarantee that the information used to prepare this report has not changed since it was collected and is still accurate at the time of publication. Scope Hamburg GmbH is under no obligation to complete the information that it considered when issuing the rating.

The dissemination and use of this rating report may be prohibited by law in certain jurisdictions. Scope Hamburg GmbH therefore recommends that any persons who come into the possession of this information inquire about and comply with any prohibitions that may be in place. Scope Hamburg GmbH assumes no liability of any kind with respect to the dissemination and use of the rating in any jurisdiction whatsoever.

Scope Hamburg GmbH

Hamburg, 6 September 2021