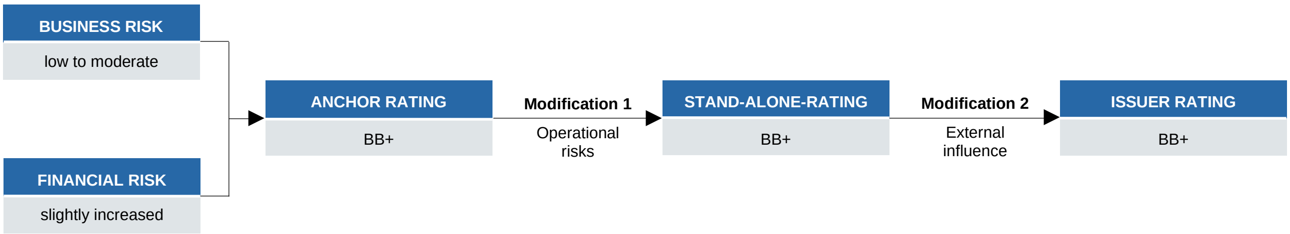
Issuer Rating

OPUS TIGÁZ Gázhálózati Zrt.		6 September 2021	BB+
		Issuer Rating	
		Outlook	stable
Industry	Regulated Utility Companies	2020 Total net sales	HUF 35,272m
		2020 Employees	935



BUSINESS RISK	low to moderate

- Perpetual, territory-based gas distribution licence
- Regulated gas distribution tariffs
- Reliable and transparent sector regulation
- Strong market position and sector benchmark scores

OPERATIONAL RISKS	+/- 0

- Operational risk profile consistent with the anchor rating; no modification required

FINANCIAL RISK	slightly increased

- Predictable and recurring cash flows
- Regulated, restricted earnings (WACC regulation)
- Consistently high financial debt levels
- Moderate credit metrics
- Adequate financial flexibility

EXTERNAL INFLUENCE	+/- 0

- Assessment of intra-group or public-sector relations causes no modification

Key financial ratios *	2018	2019	2020	FC 2021	2022e	2023e
EBITDA-Margin (%)	40.4	39.5	45.7	41.5	36.9	38.4
ROCE (%)	5.6	6.6	10.5	9.3	5.7	6.8
Equity ratio (%)	34.0	38.5	39.9	42.0	42.8	43.4
Leverage ratio (%)	58.8	53.5	46.8	42.6	44.7	44.2
Total liabilities / EBITDA	6.4	5.5	4.5	4.8	5.6	5.1
Net financial liabilities / EBITDA	4.7	3.9	2.7	2.6	3.4	3.1
EBIT interest coverage	3.2	1.9	4.5	5.0	3.5	4.3
EBITDA interest coverage	7.0	3.9	7.6	8.8	8.1	9.0

* adjusted on the basis of Scope Hamburg’s analytical principles

Rating Rationale

Scope Hamburg confirms the BB+ issuer credit rating of OPUS TIGÁZ Gázhálózati Zrt. The underlying factors are a combination of a low to moderate business risk profile and a slightly increased financial risk profile with no further modifications. The rating outlook remains stable.

Low to moderate business risks due to established market regulation and predictable operations

OPUS TIGÁZ is subject to a low to moderate business risk profile in our view. Due to its territory-based public gas distribution licence and mostly stable distribution volumes, the company enjoys an overall strong visibility in revenues and sustainable operating cash flows. Our view is underpinned by well-established and reliable tariff-regulations within the Hungarian gas distribution sector, which mitigate volatility risks and allows OPUS TIGÁZ to recover all operating and capital costs incurred. Further supportive factors include the strong market position as the largest operator in Hungary, a well-maintained regulatory asset base, favourable sector-benchmark scores and low counterparty risks as >90% of sales are concentrated with the state-owned gas supplier MVM. Following the two recent ownership changes (2018 and 2021) the company faces moderate structural, strategic and operational challenges in our opinion, as the newly appointed management aims for making OPUS Group's energy division a notable member of the domestic energy chain. Overall, however, we think that OPUS TIGÁZ' risk-profile and corporate strategy are fairly aligned.

Slightly increased financial risks due to restricted earnings, high debt levels and adequate financial flexibility

OPUS TIGÁZ is subject to a slightly increased financial risk profile in our view. Overall, we appreciate that the company's business model allows for recurring, stable and positive earnings. Despite an exceptional improvement of credit metrics over the course of 2020/21, we think that the earning power will remain at rather constant, industry-specific, levels over the long run. Our view is underpinned by the regulatory framework which incorporates efficiency gains and limits the rate of return on regulated assets (WACC). Factors constraining the stand-alone assessment are the consistently high debt levels. Together with the profit limitations, prevailing external financing costs and gradually rising investment needs we rather expect a constant development of credit metrics on deleveraging or interest coverage. Despite this, we think that the highly predictable operating cash flows provide sufficient coverage for sustaining these high long-term debt levels. Furthermore, we acknowledge that the proportion of financial debt will be gradually reduced looking forward (partly amortising bond). This may improve the credit metrics slightly over the long-term. Considering the company's high internal funding potential, the good access to external funding and the currently high proportion of own liquid funds we assess OPUS TIGÁZ' current financial flexibility as adequate.

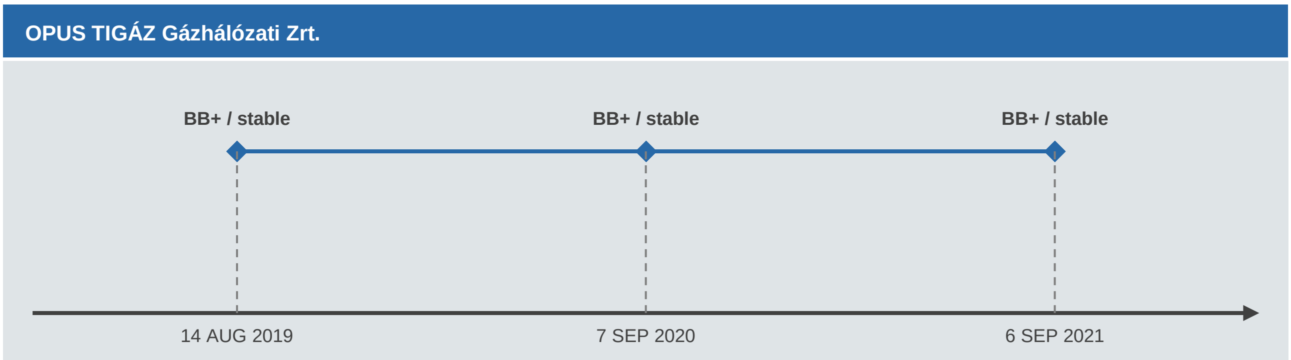
Assessment on operational risks and external influence requires no modification

OPUS TIGÁZ has adequate structures, processes and systems in place to control its operations and to handle its operational risks appropriately and in consistence with the anchor rating. A rating modification is not required in our view. The separate assessment of external factors which could have an impact on the stand-alone rating, such as intra-group or public-sector relations, remains neutral according to our methodology (+/- 0 Notch).

Upgrade / Downgrade Factors

Factors that could lead to an Upgrade	- Sustainable improvement of the operating cash flow as an effect of regulatory changes to the advantage of the allowable tariff base - Sustainable improvement of the capital structure and the deleveraging potential (e.g. net debt/EBITDA < 3.0, EBIT interest coverage > 3.5 or leverage < 50%)
Factors that could lead to a Downgrade	- Substantial deterioration of the operating cash flow as an effect of adverse regulatory changes to the disadvantage of the allowable tariff base - Substantial and lasting deterioration of the capital structure and deleveraging potential (e.g. net debt/EBITDA > 4.0, EBIT interest coverage < 2.0 or leverage > 60%)

Rating History



Company

Largest gas distribution system operator (DSO) in Hungary

OPUS TIGÁZ Gázhálózati Zrt. ("OPUS TIGÁZ") is the largest natural gas distribution system operator (DSO) in Hungary. OPUS TIGÁZ distributes over 2 billion cubic metres of natural gas annually (c. 32% of total domestic consumption) to 1.2 million customers (c. 36% of all connected households in Hungary). The 33,800 km-long pipeline network is owned outright by OPUS TIGÁZ and represents c. 42% of the national grid. The business operations are concentrated in the North-Eastern regions of Hungary serving customers in 1,092 municipalities, with two larger regional centres located in Gödöllő and Debrecen, and 15 operational centres plus 7 smaller technical basis spread across the distribution area. With its almost 70-year history, the DSO belongs to the most-established companies of Hungary's domestic energy sector. Almost the entire revenue stream of OPUS TIGÁZ (>99%) is generated from government-licensed activities based on regulated gas distribution tariffs. On average the company employed a workforce of 935 in 2020 (2019: 1,088) and generated net sales totalling HUF 35,272 million (2019: HUF 32,294 million)

History of structural and regulatory changes

Since its privatisation in 1993 the company went through several structural and regulatory changes mainly as an affiliate of the Italian based Eni group. Eni group indirectly acquired the majority in 1995 and increased its stake to c. 99% after the buyout of RWE's minority share (44.2%) in 2013. In 2007 the company was required to separate its gas distribution activities from its gas retail activities in accordance with EU regulations. In the end, the company decided to discontinue its retail activities and to sell its retail portfolio to a state-owned gas supply company and its free-market portfolio to a subsidiary of RWE. Since 2017 the business model is solely driven by government-licensed gas distribution activities based on regulated gas distribution tariffs.

Jointly owned by OPUS GLOBAL Nyrt. and PE fund

Currently OPUS TIGÁZ is jointly owned by the listed investment holding company "OPUS GLOBAL Nyrt." and the private equity fund "Status Energy Kft." (both Hungary), after the divestments of Swiss-based MET Group in 2019 and 2020 following a short holding period. Status Energy PE Fund was launched and is managed by Opus Global Investment Fund Manager Zrt. (subsidiary of OPUS GLOBAL). Direct holdings in OPUS TIGÁZ of less than one percent (minority stakes) remain attributable to private individuals and municipalities. OPUS TIGÁZ is part of OPUS GLOBAL consolidated accounts with Balázs Torda (Head of Energy Division) serving as CEO for OPUS TIGÁZ.

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Appendix 1: Execution

Notice

This rating report is a commented version of the rating report that provides more detailed information on the factors underlying the rating notation and the outlook of the rating.

Analysts

- Matthias Peetz, Senior Analyst (lead analyst)
- Karl Holger Möller, Senior Analyst

Contact:

Tel.: +49 (0) 40/60 77 81 200
info@scopehamburg.com

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.

[x] 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:
  - Financial statements for 2018, 2019 and 2020
  - Interim reports (quarterly report Q1/2021, half year report 2021)
  - Financial budget 2021-2023 and CAPEX budget 2021-2023
  - Information on corporate strategy and corporate planning assumptions
  - Market research
  - Interviews with the management

Rating methodologies and definitions

- Methodology: Issuer Rating as of May 2016
- 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.

Scope Hamburg GmbH

Ferdinandstraße 29-33
20095 Hamburg
Tel.: +49 (0) 40/60 77 81 200

info@scopehamburg.com
www.scopehamburg.com

Appendix 2: Rating categories*

Category	Explanation
AAA	In the opinion of Scope Hamburg, AAA rated entities demonstrate an excellent credit quality and the lowest default risk.
AA	In the opinion of Scope Hamburg, AA rated entities demonstrate a very high credit quality with a very low default risk.
A	In the opinion of Scope Hamburg, A rated entities demonstrate a high credit quality with a low default risk.
BBB	In the opinion of Scope Hamburg, BBB rated entities demonstrate a medium credit quality with a moderate default risk.
BB	In the opinion of Scope Hamburg, BB rated entities demonstrate a medium-low credit quality with a slightly increased default risk.
B	In the opinion of Scope Hamburg, B rated entities demonstrate a low credit quality with an increased default risk.
CCC	In the opinion of Scope Hamburg, CCC rated entities demonstrate a very low credit quality with a high default risk.
CC	In the opinion of Scope Hamburg, CC rated entities demonstrate a very low credit quality, an event of default is very likely.
C	In the opinion of Scope Hamburg, C rated entities demonstrate a very low credit quality, an event of default is imminent.
D / SD	D rated entities have defaulted, as defined by the rating agency. The rated entity is assigned an SD rating (Selective Default) if it has 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

Appendix 3: Definition of financial ratios

Earnings power

EBITDA margin

EBITDA margin
Numerator
EBITDA
Denominator
Total revenues

Returns

ROCE
Numerator
Adjusted operating result (= EBIT)
Denominator
Net debt + economic equity (= capital employed)

Return on total assets
Numerator
Adjusted operating and financial result + interest expense
Denominator
Adjusted total assets

Cash flow return on investment

Cash flow return on investment (Cash flow ROI)
Numerator
EBITDA
Denominator
Adjusted total assets

Capital structure

Indebtedness

Equity-to-total assets ratio
Numerator
Adjusted equity (= economic capital)
Denominator
Adjusted total assets

Leverage
Numerator
Net debt
Denominator
Net debt + economic equity (= capital employed)

Net debt

Net debt
Bonds
+ Liabilities to banks
+ Bill liabilities
+ Other interest-bearing liabilities
+ Operating lease liabilities
+ Adjustments for ABS/factoring transactions
- Cash and cash equivalents

Deleveraging potential

Total liabilities / EBITDA
Numerator
Total assets - economic capital (= total liabilities)
Denominator
EBITDA

Net debt / EBITDA
Numerator
Net debt
Denominator
EBITDA

Interest coverage

EBIT interest coverage
Numerator
Adjusted operating result (= EBIT)
Denominator
Interest expenses

EBITDA interest coverage
Numerator
EBITDA
Denominator
Interest expenses

Disclaimer

Magyar Nemzeti Bank (client) engaged Scope Hamburg GmbH to review the rating of OPUS TIGÁZ Gázhálózati Zrt. (rated entity) on 07 June 2021. A management interview was 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 rated entity. 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 rated entity 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 rated entity 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 rated entity exercising reasonable and commercial care. The rated entity's representatives have issued a written certification of completeness to Scope Hamburg GmbH. However, the rated entity 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.

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Scope Hamburg GmbH

Hamburg, 6 September 2021