

Bulgarian Energy Holding EAD

Fitch Ratings' revision of the Outlook on Bulgarian Energy Holding EAD's (BEH) rating to Stable from Positive in March 2025 was driven by the expected leverage increase to around 3.3x (more aligned with the current Standalone Credit Profile; SCP) and the large capex plan related to the new nuclear power units. This may considerably increase BEH's net leverage from 2029, unless the company receives significant support from the Bulgarian state.

We expect the company's business profile to gradually improve thanks to growing earnings from regulated networks and the rising profitability of its clean generation business, supported by the liberalisation of the Bulgarian energy market. However, we also expect profitability at the lignite mine and the thermal power plant to deteriorate, and they may face challenges in covering their costs as the energy transition progresses.

Key Rating Drivers

Nuclear Project to Raise Leverage: We assume BEH's leverage will rise when the main construction phase of two new nuclear units (up to 1,200MW each) starts in 2029, unless significant support is provided for this project by the Bulgarian state, for example through capital injections.

BEH has started preparatory works for the plants' construction, following the Bulgarian National Assembly's decision at end-2023. Commissioning is likely in 2035-2038. The final investment decision is likely to come in 4Q25, following the engineering contract signed in November 2024 with a consortium of Westinghouse and Hyundai Engineering.

Benefits of Liberalisation: From July 2025, generators within BEH Group will sell all their production on the free market. We therefore expect better performance of the nuclear power plant Kozloduy, which was previously selling 25% of its production at unfavourable regulated prices. From July 2025, the subsidiary NEK will no longer act as a public supplier but will focus its operations on electricity generation from hydro power plants, which should translate into better profitability.

Normalised EBITDA: We expect EBITDA to normalise at BGN1.1 billion in 2025, from an expected BGN1.4 billion in 2024 and after the peak of 2022-2023, remaining broadly flat in the medium term. The EBITDA will be supported by electricity and gas transmission and transit, and electricity production sold at market prices following liberalisation, but will be affected by underperforming coal mining and its thermal power plant.

Rising Regulated Income: We expect the EBITDA contribution from regulated gas and electricity transmission and transit to increase in the rating case to about 65% over 2025-2028 (43% in 2023). In particular, recent strategic investments commissioned enabled Bulgartransgas to significantly increase gas transited volumes (by 20% in 2024 to 175TWh) and improve its results (expected EBITDA of about BGN700 million in 2024).

Reduced Profitability at Thermal Plants: Fitch expects profitability at the BEH's thermal power plant to be increasingly influenced by neighbouring energy markets. The plants may face challenges in covering production costs fully in the medium term due the energy transition and normalised energy prices. Fitch expects negligible EBITDA at the plant in 2024 (BGN207 million in 2023) and a limited contribution thereafter.

Weak Results at Lignite Mine: In 2024, Fitch expects the coal mine to report negative EBITDA (worse than in 2023), driven by a 30% decrease in coal sales volumes. We expect these weak results to continue over the medium term due to reduced volumes sold to thermal power plants in Maritsa-East.

Ratings

Long-Term IDR	BB+
Long-Term Local-Currency IDR	BB+
Senior Unsecured Debt - Long-Term Rating	BB+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

[Click here for the full list of ratings](#)

ESG and Climate

Highest ESG Relevance Scores	
Environmental	3
Social	3
Governance	4

2035 Climate Vulnerability Signal: 43

Applicable Criteria

- [Corporate Rating Criteria \(December 2024\)](#)
- [Sector Navigators – Addendum to the Corporate Rating Criteria \(December 2024\)](#)
- [Corporate Recovery Ratings and Instrument Ratings Criteria \(August 2024\)](#)
- [Government-Related Entities Rating Criteria \(July 2024\)](#)

Related Research

- [EMEA Medium-Sized Integrated Utilities – Relative Credit Analysis \(January 2024\)](#)
- [EMEA Utilities Outlook 2025 \(December 2024\)](#)
- [Central and Eastern European Integrated Utilities – Relative Credit Analysis \(December 2024\)](#)

Analysts

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Moderate Leverage Before 2029 Spike: We expect BEH’s funds from operations (FFO) net leverage to increase in 2025 to 3.3x and stabilise in 2026-2028. Leverage could increase from 2029 when nuclear project construction is likely to start. This is based on our expectations of average capex of BGN1 billion annually in 2025-2028, with an additional BGN1.2 billion of capex in 2025 for preparatory works at the nuclear project. Fitch assumes a 100% dividend payout ratio from BEH’s consolidated accounts from 2025.

One-Notch Uplift for Support: We have ‘Strong expectations’ of state support for BEH under our Government-Related Entities Rating Criteria, backed by an overall support score of 25 points, resulting in one-notch uplift for the IDR from the SCP.

Responsibility to Support: Fitch assesses ‘decision-making and oversight’ as ‘Very Strong’ because the Bulgarian state is BEH’s ultimate shareholder (100% of shares), approves its strategy and business plan and tightly controls BEHs’ operations. We view the Bulgarian government’s ‘precedents of support’ as ‘Strong’, as it provided guarantees for about 5% of BEH’s debt at end-2023 (expected to rise to 5%-10% in the forecast horizon under Fitch’s rating case), preferential state loans (also for covering working-capital needs), and regulatory support when needed.

Incentive to Support: We assess the ‘preservation of government policy role’ as ‘Strong’, as BEH has a crucial role in the security of gas supply in Bulgaria, implementing the state strategy to diversify gas supplies to Bulgaria, and will play a key role in the national green energy transformation, partly through the new nuclear plants. Fitch does not see material contagion risk, as a default at BEH’s level should not have material implications for the government’s ability to issue new debt or its cost, particularly in view of the company’s current low debt amount.

Financial Summary

(BGNm)	2021	2022	2023	2024E	2025F	2026F
EBITDA	2,756	4,579	2,196	1,432	1,055	1,357
FFO	2,923	4,081	1,849	1,255	892	1,144
FCF after acquisitions and divestitures	967	2,291	-589	243	-2,157	-517
FFO net leverage (x)	0.9	0.2	0.7	0.9	3.3	3.1
FFO interest coverage (x)	23.5	43.9	15.1	9.6	6.8	8.3

Source: Fitch Ratings, Fitch Solutions

Peer Analysis

BEH has a leading position in the Bulgarian gas and electricity markets through its ownership of most of Bulgaria’s power generation assets (including a nuclear power plant, and lignite-fired and hydro power plants), the country’s largest mining company, the country’s electricity transmission network, gas transmission and transit networks and through its position as the public supplier of electricity (until end-June 2025) and gas in Bulgaria.

BEH’s integrated business structure and strategic position in the domestic market make the group comparable with some of its central European peers such as MVM Zrt. (BBB/Stable) and PGE Polska Grupa Energetyczna S.A. (BBB/Stable). The gradually rising share of EBITDA from the regulated network business makes BEH more comparable to these peers, increasing its cash flow predictability and counterbalancing the higher merchant exposure of its generation assets following liberalisation of the Bulgarian energy market.

The liberalisation, combined with its coupling with neighbouring countries’ energy markets, should improve transparency and limit any potential market interference. However, BEH is a negative outlier in the peer group in terms of corporate governance.

BEH’s rating includes a one-notch uplift from its SCP to reflect links with the sovereign, which is not the case for MVM or PGE.

Navigator Peer Comparison

Issuer	Business profile							Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Revenue Visibility	Regulatory Environment	Market Position	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility
Bulgarian Energy Holding EAD	BB+/Stable	bbb	bb-	bb+	bb+	bbb-	bbb-	bb+	bbb+	bb+
ENE A.S.A.	BBB/Stable	a-	bbb+	bbb+	bbb	bbb	bb	bbb	a	bbb
Energa S.A.	BBB+/Stable	a-	bbb+	bbb+	bbb	bbb	bb	bbb-	bbb	bbb
MVM Zrt.	BBB/Stable	bbb+	bbb	bbb	bbb	bbb	bbb+	bb+	a-	bbb+
PGE Polska Grupa Energetyczna S.A.	BBB/Stable	a-	a-	bbb	bbb	bbb	bb	bbb	bbb+	bbb+
TAURON Polska Energia S.A.	BBB-/Stable	a-	bbb+	bbb+	bbb	bbb	bb	bbb-	bbb	bbb

Source: Fitch Ratings

Relative Importance of Factor: Higher (Red), Moderate (Blue), Lower (Light Blue)

Name	IDR/Outlook	Business profile							Financial profile		
		Operating Environment	Management and Corporate Governance	Revenue Visibility	Regulatory Environment	Market Position	Asset Base and Operations	Profitability	Financial Structure	Financial Flexibility	
Bulgarian Energy Holding EAD	BB+/Stable	+2	-2	0	0	+1	+1	0	+3	0	
ENE A.S.A.	BBB/Stable	+2	+1	+1	0	0	-3	0	+3	0	
Energa S.A.	BBB+/Stable	+1	0	0	-1	-1	-4	-2	-1	-1	
MVM Zrt.	BBB/Stable	+1	0	0	0	0	+1	-2	+2	+1	
PGE Polska Grupa Energetyczna S.A.	BBB/Stable	+2	+2	0	0	0	-3	0	+1	+1	
TAURON Polska Energia S.A.	BBB-/Stable	+3	+2	+2	+1	+1	-2	0	+1	+1	

Source: Fitch Ratings

Factor Score Relative to IDR: Worse positioned than IDR (Red), Within one notch of IDR (Blue), Better positioned than IDR (Light Blue)

Rating Sensitivities

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

- Stronger SCP due to funds from operations (FFO) net leverage falling below 3.5x on a sustained basis, and supported by an internal corresponding leverage target, lower regulatory and political risk, higher earnings predictability, and better corporate governance
- Adequate visibility of the funding structure of the new nuclear power units
- Further tangible government support to BEH, such as additional state guarantees materially increasing the share of state-guaranteed debt, or cash injections, which would link BEH's credit profile more closely to Bulgaria's stronger credit profile
- Upgrade of Bulgaria's IDR by two notches

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

- Weaker SCP, for example due to FFO net leverage exceeding 4.5x on a sustained basis, escalation of regulatory and political risk, or insufficient liquidity
- Weaker links with the Bulgarian state

Liquidity and Debt Structure

We estimate that BEH's liquidity totalled BGN3,134 million at the end of 2024. Meanwhile, it had BGN2,157 million of Fitch-projected negative FCF in the next 12 months, EUR600 million bonds due in June 2025 (equivalent to about BGN 1,173 million), and a BGN800 million state loan maturing in August 2025.

Fitch expects the maturity of the BGN800 million state loan to be extended beyond 2025, given the close relations between the state and BEH. In addition, BEH aims to refinance the bonds and is in the final stages of the bookrunners' selection procedure, during which it received offers for a bridge loan of EUR600 million. This is intended as a contingency in case of any delay with the bond issuance.

ESG Considerations

Bulgarian Energy Holding EAD has an ESG Relevance Score of '4' for Group Structure due to a fairly complex group structure, which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

Bulgarian Energy Holding EAD has an ESG Relevance Score of '4' for Financial Transparency due to a qualified audit opinion and lower financial transparency than EU peers', which has a negative impact on the credit profile, and is relevant to the ratings in conjunction with other factors.

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>.

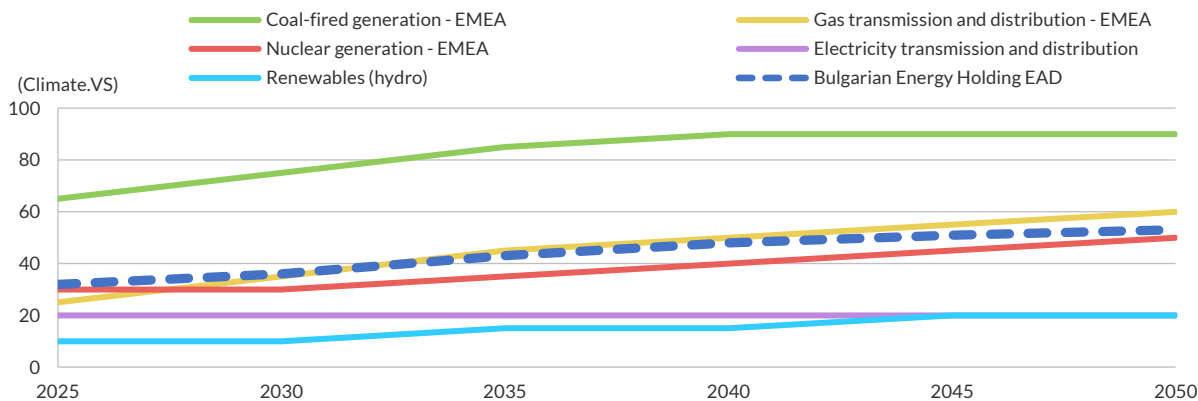
Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk). For more information on Climate.VS, see Fitch's [Corporate Rating Criteria](#). For more detailed, sector-specific information on how Fitch perceives climate-related transition risks, see [Climate Vulnerability Signals for Non-Financial Corporate Sectors](#).

The FY23 EBITDA-weighted Climate.VS for BEH is 43 out of 100, suggesting moderate exposure to limited climate-related risks in that year.

Climate.VS Evolution

As of Dec 31, 2023



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(BGNm)	2025F	2026F	2027F
Available liquidity			
Beginning cash balance	3,134	-1,376	-1,912
Rating case FCF after acquisitions and divestitures	-2,157	-517	-345
Total available liquidity (A)	977	-1,893	-2,257
Liquidity uses			
Debt maturities	-2,353	-19	-149
Total liquidity uses (B)	-2,353	-19	-149
Liquidity calculation			
Ending cash balance (A+B)	-1,376	-1,912	-2,406
Revolver availability	—	—	—
Ending liquidity	-1,376	-1,912	-2,406
Liquidity score (x)	0.4	-100.2	-15.1

F – Forecast.

Source: Fitch Ratings, Fitch Solutions, Bulgarian Energy Holding EAD

Scheduled debt maturities

(BGNm)	31 Dec 24
2025	2,353
2026	19
2027	149
2028	1,252
Thereafter	665
Total	4,438

Source: Fitch Ratings, Fitch Solutions, Bulgarian Energy Holding EAD

Key Assumptions

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

- Market liberalisation, with the elimination of production quotas for nuclear and thermal power plants and abolition of NEK's role as a public supplier from 1 July 2025, with full market liberalisation from 1 January 2026
- Price caps for electricity generators until end-2025 with no major contributions paid by BEH's generating companies in view of their selling prices remaining below the respective price caps
- Group EBITDA averaging BGN1.3 billion a year over 2025-2028
- Total capex of BGN5.1 billion over 2025-2028
- Dividends at 100% of net income during 2025-2028

Financial Data

(BGNm)	2021	2022	2023	2024E	2025F	2026F
Summary income statement						
Gross revenue	9,302	21,913	11,523	9,029	7,780	7,970
Revenue growth (%)	108.5	135.6	-47.4	-21.6	-13.8	2.4
EBITDA before income from associates	2,756	4,579	2,196	1,432	1,055	1,357
EBITDA margin (%)	29.6	20.9	19.1	15.9	13.6	17.0
EBITDA after associates and minorities	2,767	4,593	2,206	1,442	1,063	1,365
EBITDAR	2,756	4,579	2,196	1,432	1,055	1,357
EBITDAR margin (%)	29.6	20.9	19.1	15.9	13.6	17.0
EBIT	2,036	3,750	1,297	517	133	429
EBIT margin (%)	21.9	17.1	11.3	5.7	1.7	5.4
Gross interest expense	-129	-116	-150	-146	-153	-157
Pretax income including associate income/loss	1,564	3,381	1,256	384	-8	282
Summary balance sheet						
Readily available cash and equivalents	2,628	4,255	3,341	3,134	1,124	805
Debt	5,499	4,930	4,784	4,438	4,585	4,783
Net debt	2,871	675	1,443	1,304	3,461	3,978
Lease-adjusted debt	5,499	4,930	4,784	4,438	4,585	4,783
Summary cash flow statement						
EBITDA	2,756	4,579	2,196	1,432	1,055	1,357
Cash interest paid	-130	-95	-130	-146	-153	-157
Cash tax	-181	-250	-163	-45	-22	-65
Dividends received less dividends paid to minorities (inflow/outflow)	11	14	10	9	8	8
Other items before FFO	466	-168	-69	–	–	–
FFO	2,923	4,081	1,849	1,255	892	1,144
FFO margin (%)	31.4	18.6	16.0	13.9	11.5	14.4
Change in working capital	-247	-1,091	-7	443	-289	-51
CFO (Fitch-defined)	2,676	2,990	1,841	1,698	603	1,093
Total non-operating/nonrecurring cash flow	-6	-1	–	–	–	–
Capex	-1,700	-507	-990	–	–	–
Capital intensity (capex/revenue) (%)	18.3	2.3	8.6	–	–	–
Common dividends	–	-191	-1,440	–	–	–
FCF	970	2,291	-589	–	–	–
FCF margin (%)	10.4	10.5	-5.1	–	–	–
Net acquisitions and divestitures	-3	0	0	–	–	–
Other investing and financing cash flow items	76	21	69	–	–	–
Net debt proceeds	555	-686	-138	-346	147	198
Net equity proceeds	–	–	–	–	–	–
Total change in cash	1,598	1,626	-657	-207	-2,010	-319
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-1,709	-698	-2,430	-1,455	-2,760	-1,610
FCF after acquisitions and divestitures	967	2,291	-589	243	-2,157	-517
FCF margin after net acquisitions (%)	10.4	10.5	-5.1	2.7	-27.7	-6.5
Gross leverage ratios (x)						
EBITDA leverage	2.0	1.1	2.2	3.1	4.3	3.5
EBITDAR leverage	2.0	1.1	2.2	3.1	4.3	3.5
FFO leverage	1.8	1.2	2.4	3.2	4.4	3.7
FFO adjusted leverage	1.8	1.2	2.4	3.2	4.4	3.7
(CFO-capex)/debt	17.7	50.4	17.8	11.8	-33.0	-2.7

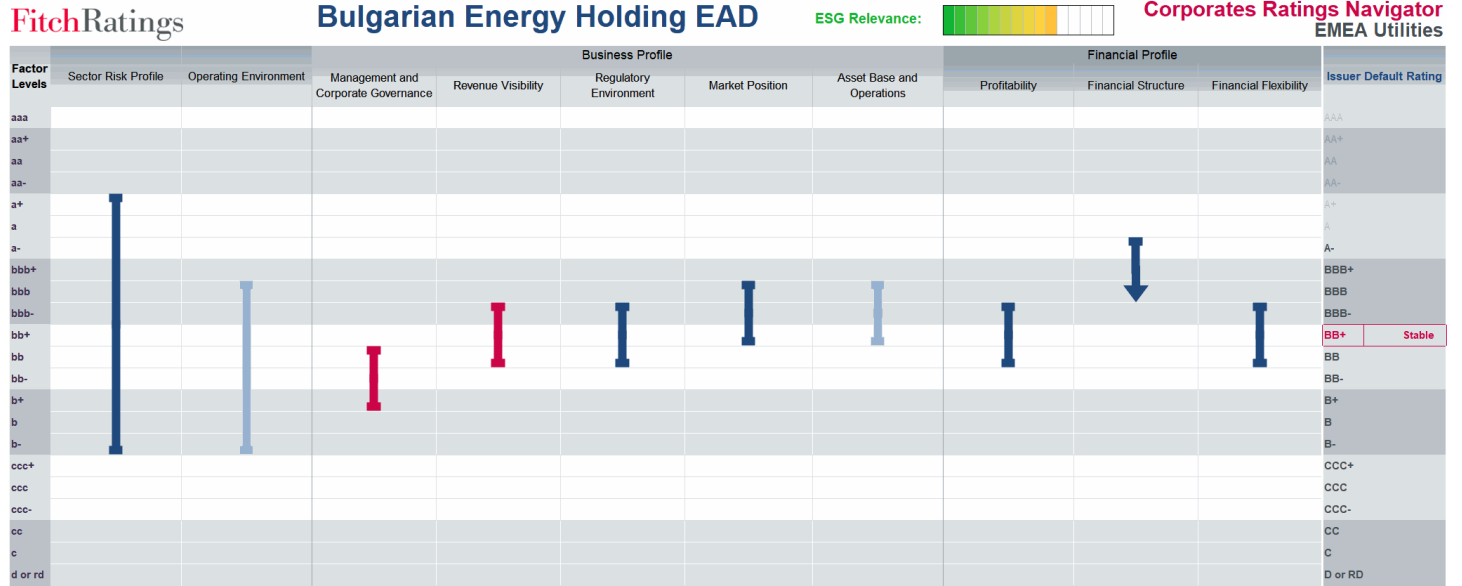
(BGNm)	2021	2022	2023	2024F	2025F	2026F
Net leverage ratios (x)						
EBITDA net leverage	1.0	0.1	0.7	0.9	3.3	2.9
EBITDAR net leverage	1.0	0.1	0.7	0.9	3.3	2.9
FFO net leverage	0.9	0.2	0.7	0.9	3.3	3.1
FFO adjusted net leverage	0.9	0.2	0.7	0.9	3.3	3.1
(CFO-capex)/net debt	34.0	367.8	59.0	40.1	-43.7	-3.3
Coverage ratios (x)						
EBITDA interest coverage	21.4	48.2	16.9	9.9	7.0	8.7
EBITDAR fixed-charge coverage	21.4	48.2	16.9	9.9	7.0	8.7
EBITDAR net fixed-charge coverage	21.5	48.7	17.6	10.1	7.1	8.8
FFO interest coverage	23.5	43.9	15.1	9.6	6.8	8.3
FFO fixed-charge coverage	23.5	43.9	15.1	9.6	6.8	8.3

CFO – Cash flow from operations
Source: Fitch Ratings, Fitch Solutions

How to Interpret the Forecast Presented

The forecast presented above 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 Colors = Relative Importance	↑ Positive
■ Higher Importance	↓ Negative
■ Average Importance	↕ Evolving
■ Lower Importance	□ Stable

Operating Environment

bbb+	Economic Environment	bbb	Average 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.
b-	Systemic Governance	bbb	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'bbb'.
ccc+			

Management and Corporate Governance

bb+	Management Strategy	bb	Strategy generally coherent but some evidence of weak implementation.
bb	Governance Structure	bb	Board effectiveness questionable, with few independent directors. "Key Person" risk from dominant CEO or shareholder.
bb-	Group Structure	bb	Complex group structure or non-transparent ownership structure. Related-party transactions exist but with reasonable economic rationale.
b+	Financial Transparency	b	Defective financial reporting. Aggressive accounting policies.
b			

Revenue Visibility

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

Regulatory Environment

bbb	Regulatory Framework and Policy Risk	bb	Opaque or overly demanding frameworks with limited track record, short-term tariffs, significant political risk.
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.
bb+			
bb			
bb-			

Market Position

bbb+	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	bb	Structurally challenged economy in area served; high counterparty risk; supply operations with high doubtful debt levels.
bb+			
bb			

Asset Base and Operations

bbb+	Asset Quality	bbb	Mid-range asset quality not likely to affect opex and capex requirements compared with peers.
bbb	Asset Diversity	bb	Limited diversification by geography, generation source, supplied product.
bbb-	Carbon Exposure	bbb	Energy production balanced between clean and thermal sources; medium carbon exposure (< 450gCO2/kWh).
bb+			
bb			

Profitability

bbb	Free Cash Flow	bb	Structurally negative FCF across the investment cycle.
bbb-	Volatility of Profitability	bb	Lower stability and predictability of profits than utility peers.
bb+			
bb			
bb-			

Financial Structure

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

Financial Flexibility

bbb	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bbb-	Liquidity	bbb	One-year liquidity ratio above 1.25x. Well-spread debt maturity schedule but funding may be less diversified.
bb+	FFO Interest Coverage	a	5.5x
bb	FX Exposure	bb	FX exposure on profitability and/or debt/cash flow match. Some hedging but only partly effective.
bb-			

Credit-Relevant ESG Derivation

				Overall ESG		
Bulgarian Energy Holding EAD has 2 ESG rating drivers and 11 ESG potential rating drivers				key driver	0 issues	5
➤	Complexity, transparency and related-party transactions	driver	2 issues	4		
➤	Quality and timing of financial disclosure	potential driver	11 issues	3		
➤	Emissions from operations	not a rating driver	1 issues	2		
➤	Fuel use to generate energy		0 issues	1		
➤	Water used by hydro plants or by other generation plants; effluent management					
➤	Impact of waste from operations					

Showing top 6 issues

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.

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

Credit-Relevant ESG Derivation

Bulgarian Energy Holding EAD has 2 ESG rating drivers and 11 ESG potential rating drivers

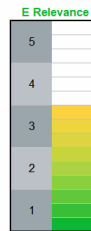
- ➔ Bulgarian Energy Holding EAD has exposure to group transparency risk which, in combination with other factors, impacts the rating.
- ➔ Bulgarian Energy Holding EAD has exposure to financial disclosure risk which, in combination with other factors, impacts the rating.
- ➔ Bulgarian Energy Holding EAD has exposure to emissions regulatory risk but this has very low impact on the rating.
- ➔ Bulgarian Energy Holding EAD has exposure to energy productivity risk but this has very low impact on the rating.
- ➔ Bulgarian Energy Holding EAD has exposure to water management risk but this has very low impact on the rating.
- ➔ Bulgarian Energy Holding EAD has exposure to waste & impact management risk but this has very low impact on the rating.

Showing top 6 issues

			ESG Relevance to Credit Rating	
key driver	0	issues	5	
driver	2	issues	4	
potential driver	11	issues	3	
	1	issues	2	
not a rating driver	0	issues	1	

Environmental (E) Relevance Scores

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



How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

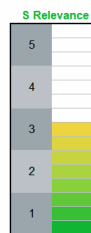
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

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), the Sustainability Accounting Standards Board (SASB), and the World Bank.

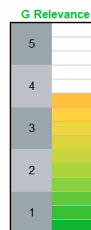
Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulation
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Quality and safety of products and services; data security	Profitability and Cash Flow
Labor Relations & Practices	3	Impact of labor negotiations and employee (dis)satisfaction	Profitability and Cash Flow; Financial Structure; Financial Flexibility
Employee Wellbeing	2	Worker safety and accident prevention	Profitability and Cash Flow; Financial Structure; Financial Flexibility
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



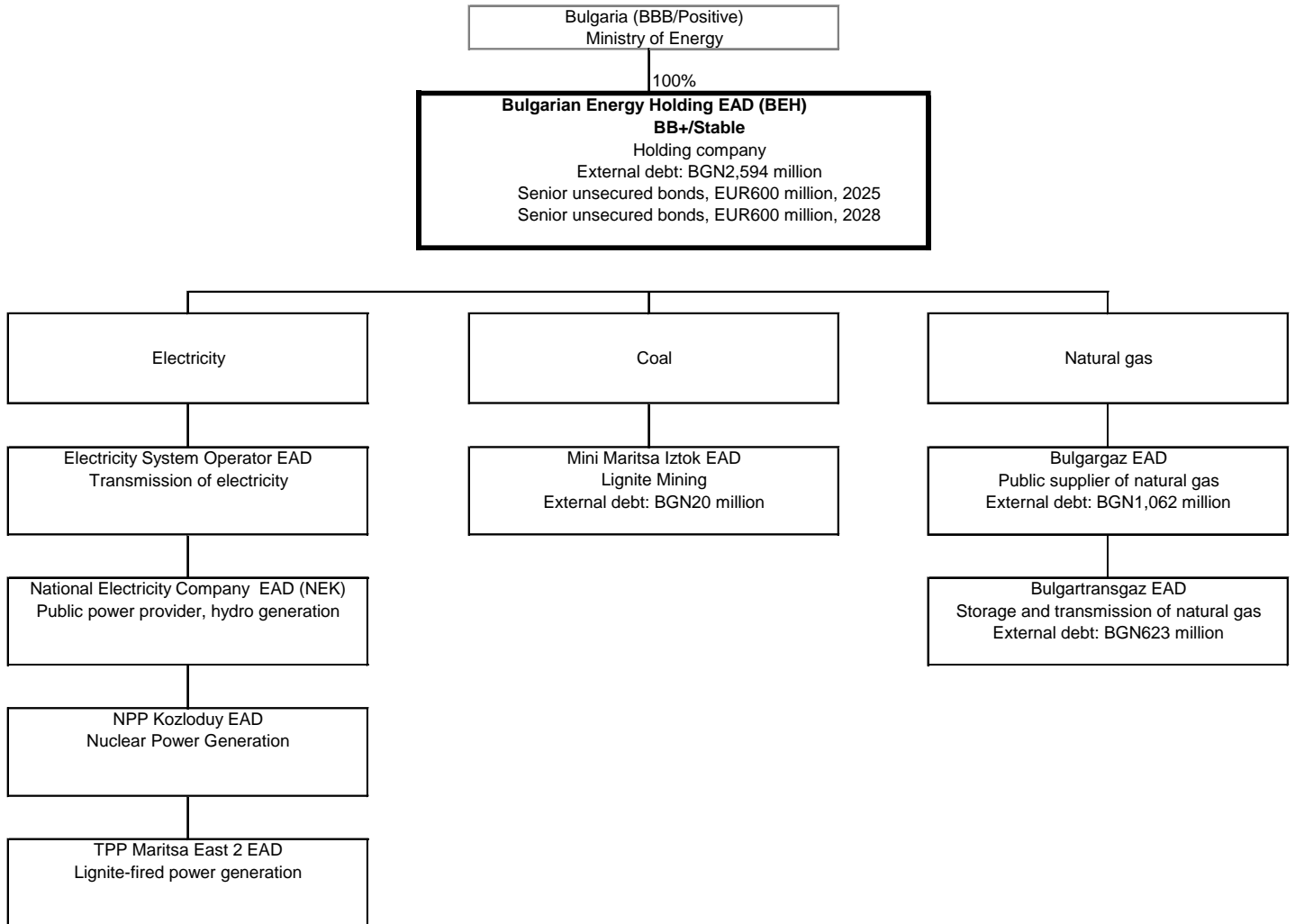
Governance (G) Relevance Scores

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



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, Bulgarian Energy Holding EAD, as of end-2024

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	FFO (EURm)	FCF after acquisitions and divestitures (EURm)	FFO interest coverage (x)	FFO net leverage (x)
Bulgarian Energy Holding EAD	BB+						
	BB+	2023	1,132	953	-303	15.1	0.7
	BB	2022	2,341	2,087	1,172	43.9	0.2
Enea S.A.	BB	2021	1,411	1,496	495	23.5	0.9
	BBB						
	BBB	2023	1,193	840	-234	14.1	1.5
Energia S.A.	BBB	2022	398	365	-338	11.3	2.0
	BBB	2021	781	614	731	19.8	1.0
	BBB+						
MVM Zrt.	BBB+	2023	677	539	-948	5.0	3.2
	BBB+	2022	525	246	-295	5.0	3.6
	BBB						
PGE Polska Grupa Energetyczna S.A.	BBB						
	BBB	2023	2,311	2,114	-1,269	9.9	1.6
	BBB	2022	801	934	-3,046	8.8	2.5
	BBB	2021	683	514	430	20.6	-0.6
TAURON Polska Energia S.A.	BBB+	2023	2,438	1,613	-2,095	11.8	1.0
	BBB+	2022	1,490	1,325	816	18.8	-0.6
	BBB+	2021	1,725	1,621	509	24.5	0.4
TAURON Polska Energia S.A.	BBB-						
	BBB-	2023	1,492	1,157	-240	8.7	2.6
	BBB-	2022	779	572	-314	6.6	4.5
TAURON Polska Energia S.A.	BBB-	2021	911	719	308	11.9	3.0

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(BGNm as of 31 Dec 23)	Standardised values	Other adjustments	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue	11,523	–	–	–	11,523
EBITDA	2,229	–	-1	-32	2,196
Depreciation and amortization	-900	–	1	-0	-899
EBIT	1,329	–	-0	-32	1,297
Balance sheet summary					
Debt	3,526	–	–	1,257	4,784
Of which other off-balance-sheet debt	–	–	–	–	–
Lease-equivalent debt	–	–	–	–	–
Lease-adjusted debt	3,526	–	–	1,257	4,784
Readily available cash and equivalents	3,342	–	–	-0	3,341
Not readily available cash and equivalents	537	–	–	–	537
Cash flow summary					
EBITDA	2,229	–	-1	-32	2,196
Dividends received from associates less dividends paid to minorities	10	–	–	–	10
Interest paid	-131	–	0	-0	-130
Interest received	5	–	–	–	5
Preferred dividends paid	–	–	–	–	–
Cash tax paid	-163	–	–	–	-163
Other items before FFO	-108	–	-0	39	-69
FFO	1,842	–	-1	7	1,849
Change in working capital	–	–	–	-7	-7
CFO	1,842	–	-1	0	1,841
Non-operating/nonrecurring cash flow	–	–	–	–	–
Capex	-990	–	–	–	-990
Common dividends paid	-1,440	–	–	–	-1,440
FCF	-588	–	-1	0	-589
Gross leverage (x)					
EBITDA leverage	1.6	–	–	–	2.2
(CFO-capex)/debt (%)	24.2	–	–	–	17.8
Net leverage (x)					
EBITDA net leverage	0.1	–	–	–	0.7
(CFO-capex)/net debt (%)	461.8	–	–	–	59.0
Coverage (x)					
EBITDA interest coverage	17.2	–	–	–	16.9

CFO - Cash flow from operations

Note: The standardised items presented above are based on Fitch's taxonomy for the given sector and region.

Reported items may not match the Fitch taxonomy, but they are captured into corresponding lines accordingly.

Debt includes other off-balance-sheet debt.

Debt in the standardised values column excludes lease liabilities of BGN2.783 million.

Source: Fitch Ratings, Fitch Solutions, Bulgarian Energy Holding EAD

Government Related Entity Analysis

Bulgarian Energy Holding EAD Rating Derivation Summary

GRE Key Risk Factors and Support Score

Responsibility to support	15.0
Decision-making and oversight	Very Strong
Precedents of support	Strong
Incentives to support	10.0
Preservation of provision of public service or sovereignty or strategic assets	Strong
Contagion risk	Not Strong Enough
Support score	25.0

Summary

Supporting government	Bulgaria
Government LT IDR	BBB
GRE SCP	bb
Support category	Strong Expectations
Notching expression	+1
Single equalisation factor	No
GRE LT IDR	BB+

LT IDR – Long-Term Issuer Default Rating.
GRE – Government-related entity.
SCP – Standalone Credit Profile.
n.a. – Not applicable.
Source: Fitch Ratings

Government LT IDR	GRE SCP	GRE LT IDR
AAA	aaa	AAA
AA+	aa+	AA+
AA	aa	AA
AA-	aa-	AA-
A+	a+	A+
A	a	A
A-	a-	A-
BBB+	bbb+	BBB+
BBB	bbb	BBB
BBB-	bbb-	BBB-
BB+	bb+	BB+
BB	bb	BB
BB-	bb-	BB-
B+	b+	B+
B	b	B
B-	b-	B-
CCC+	ccc+	CCC+
CCC	ccc	CCC
CCC-	ccc-	CCC-
CC	cc	CC
C	c	C
RD	rd	RD
D	d	D

Source: Fitch Ratings

Notching Guideline

	A	B	C	D	E	F	G
GRE's SCP - Government's IDR	Equal to or more than 45.0	Between 42.5 and 35.0 ^a	Between 32.5 and 30.0 ^a	Between 25.0 and 20.0 ^a	15.0 ^a	12.5	Equal to or less than 10.0
>0	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained	Standalone or constrained
0	0	0	0	Standalone	Standalone	Standalone	Standalone
-1	0	0	0	+1 ^b	Standalone	Standalone	Standalone
-2	0	0	0	+1	Standalone	Standalone	Standalone
-3	0	0	-1	+1	Standalone	Standalone	Standalone
-4	0	-1	-2	+1	Standalone	Standalone	Standalone
-5	0	-1	-2	+2	+1	Standalone	Standalone
-6	0	-1	-2	+3	+2	+1	Standalone
-7	0	-1	-2	+4	+2	+1	Standalone
-8	0	-1	-2	+4	+3	+1	Standalone
-9	0	-1	-2	+5	+3	+1	Standalone
-10	0	-2	-3	+5	+3	+1	Standalone
-11	-1	-2	-4	+5	+3	+1	Standalone
-12	-1	-3	-4	+5	+3	+1	Standalone
-13	-2	-3	-5	+5	+3	+1	Standalone
-14	-2	-3	-5	+5	+3	+1	Standalone
-15	-2	-3	-5	+5	+3	+1	Standalone
No SCP	0	-1	-2	-3	n.a.	n.a.	n.a.

^aIncluding those values.

^bCapped at GRE's SCP if the credit drivers of the GRE are largely similar to or interrelated with those of the government (typical for policy GREs).

Note: Columns A to C refer to notching down from the government IDR and columns D to F refer to notching up from the Standalone Credit Profile.

See Fitch's Government-Related Entities Rating Criteria for more information.

GRE - Government-related entity. SCP - Standalone Credit Profile. LT IDR - Long-Term Issuer Default Rating. n.a. - Not applicable.

Source: Fitch Ratings

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