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Natsionalna Elektricheska Kompania EAD

Primary Credit Analyst:
Renata Gottliebova, Dublin + 00353 (1) 5680608; renata.gottliebova@spglobal.com

Secondary Contacts:
Elena Anankina, CFA, Moscow + 7 49 5783 4130; elena.anankina@spglobal.com
Igor Golubnichy, Moscow; igor.golubnichy@spglobal.com

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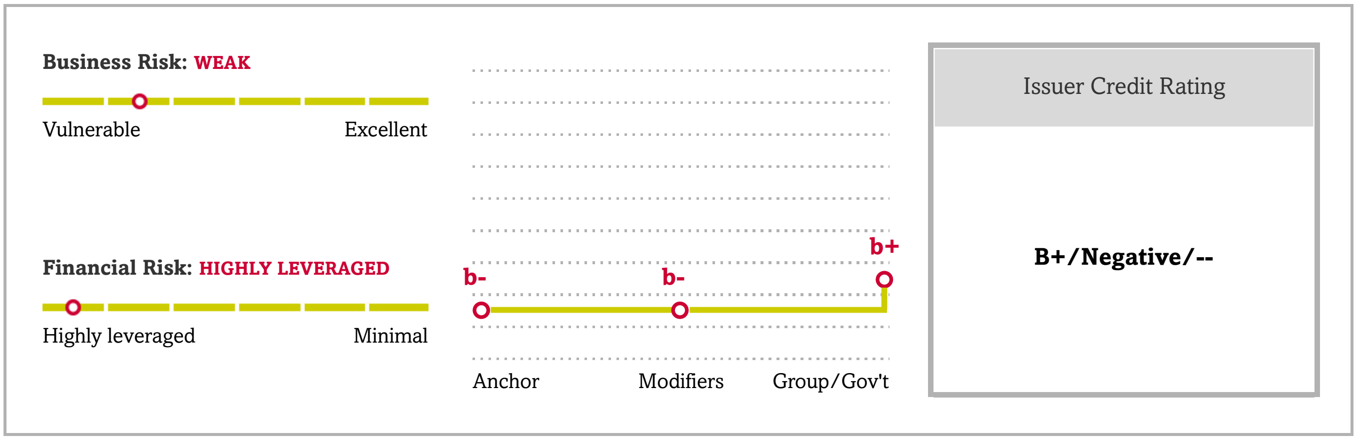
Natsionalna Elektricheska Kompania EAD



Credit Highlights

Overview

Key strengths	Key risks
Support from the parent, 100% vertically integrated state-owned Bulgarian Energy Holding EAD (BEH), and from its ultimate shareholder, the Bulgarian government.	Operations in a weak regulatory environment, which led to a sizable historical tariff deficit.
BEH operates the majority of all strategically important assets in Bulgaria's energy sector, while Natsionalna Elektricheska Kompania EAD (NEK) acts as an essential public service provider and supplier of last resort.	Very high leverage with the vast majority (95.5%) of debt owed to BEH and the Ministry of Energy.
Improving profitability thanks to ongoing legislative reform and market liberalization in Bulgaria.	Sizable investment projects within the group, coupled with the parent's upcoming €550 million bond maturity in 2021, potentially leading to a lower level of support available for NEK.

We do not expect much impact from COVID-19 to NEK. In 2020, we saw a moderate decline in electricity volumes, rather to regulatory changes and further market liberalization than to the pandemic. During the lockdown in Bulgaria, NEK continued its operations and ensured a sustainable power supply. NEK's customers were allowed to delay their utility bill payments for up to 30 days, but we do not observe any material working capital outflows in 2020 because of this.

NEK's high leverage (about 12x for the 12 months ended June 30, 2020) makes it highly dependent on parental and government support, as well as on the resolution of its historical Bulgarian lev (BGN) 1.5 billion tariff deficit. Currently, NEK's tariff deficit is covered via the Security of Electricity System Fund (SESF) created in August 2015, leading to positive EBITDA. However, its historical tariff deficit accumulated before the adoption of the new regulatory framework is covered with large loans from the parent, which amounted to BGN2.5 billion, or 71.6% of NEK's adjusted debt on June 30, 2020. Furthermore, another BGN973.5 million is due to the Bulgarian government. S&P Global Ratings expects NEK to generate enough cash to service its limited third-party debt (less than 1% of total adjusted debt as of June 30, 2020), but retain high leverage until the accumulated historical tariff deficit has been resolved.

The plan to resolve historical tariff deficit is coming. Bulgarian government is currently developing a plan to recover the accumulated historical tariff deficit, in which we understand the tariff deficit compensation is included as a first step for eliminating market failures. We understand that one of the options being considered is that SESF will issue debt and then will transfer the proceeds to NEK (likely around BGN1.4 billion). A positive outcome of this exercise could substantially improve NEK's credit quality, since the largest part of the loans provided from BEH will be repaid.

We do not include this in our base case, however, because we do not expect any outcome before 2023 and the plan is being developed. We will, however, monitor the situation.

We believe that sizable investment projects and the upcoming €550 million bond maturity at the consolidated level of parent company BEH could potentially weaken its ability to support NEK. A 100%-owned by BEH subsidiary, Bulgartransgaz (BTG) is currently involved in a €1.4 billion project (BGN2.7 billion). The project for expansion of its gas transmission system between Turkey and Serbia (the Bulgarian part of Balkan Stream) is funded with €1.1 billion (BGN2.1 billion) of debt-like obligations to the engineering, procurement, and construction (EPC) contractor. In addition, BEH holds a 50% stake in Gas Interconnector Greece-Bulgaria, although the €260 million project cost is much smaller and essentially covered by an EU grants and loan guaranteed by the Bulgarian government. The prevailing amount (around BGN1.5 billion) of capital expenditure (capex) related to these projects was supposed to be spent in 2020 and the remainder (around BGN0.7 billion) in 2021. Due to the size of these investments, BEH's consolidated credit quality could come under pressure, with funds from operations (FFO) to debt declining below 20% during 2020-2021. We estimate that BEH's consolidated debt will rise to close to BGN4.9 billion by year-end 2020 (including BGN1.3 billion payable to EPC contractor) and to BGN5.8 billion by year-end 2021 from about BGN4 billion in 2019. In addition to that, BEH's €550 million bond is due in August 2021. The company plans to refinance this bond on capital markets and started negotiations with investment banks, but since there is no committed liquidity source for this exercise yet, it could pressure BEH's liquidity. Positively, we note that the first phase of the Balkan Stream project has been successfully completed in 2020 and Serbia received the first volumes of gas in December 2020. Based on these implications, we expect BEH's credit metrics to start recovering in 2021 through proceeds from gas transit and transmission.

Outlook: Negative

The negative outlook reflects our view that BEH's ability to support NEK could potentially reduce. This could happen if the abovementioned sizable investment projects or liquidity pressure caused by the €550 million bond due in August 2021 lead to noticeable deterioration of BEH's credit quality that is not offset by improvements in its performance beyond our current expectations, state support, capex delays, or changes in the project structure. The negative outlook also reflects our view that NEK will likely remain highly dependent on parental support, given a significant gap between the rating and our assessment of NEK's stand-alone credit profile (SACP) at 'b-'. Still, we expect NEK's stand-alone performance will remain relatively stable.

Downside scenario

We would likely lower the rating on NEK if BEH's SACP deteriorates to 'b+', based on weaker operating performance, higher-than-expected leverage, weaker liquidity, or a sovereign downgrade by at least two notches. We could also lower the rating if parental support from BEH diminishes meaningfully. In addition, we could downgrade NEK if we saw a large deterioration in its liquidity and ability to generate sufficient cash flow to repay its relatively modest external debt. However, this is not part of our base case.

Upside scenario

A revision of the outlook to stable would largely depend on BEH's stand-alone performance stabilizing at the 'bb-' level. This would mainly depend on:

- Timely completion of Balkan Stream project with no noticeable deviation from our current base case or substantial government support;
- Debt to EBITDA dropping below 4.0x and FFO to debt rising above 20% on sustainable basis; and
- Sustainable adequate liquidity.

We could also revise the outlook to stable and, over time, even take a positive rating action on NEK if we saw the successful implementation of market liberalization in Bulgaria, a strategic decision by the company to remove its old accumulated tariff deficit, and repayment of the loan to the Bulgarian government related to the Belene project.

Our Base-Case Scenario

Assumptions

- Real GDP contraction in Bulgaria of 6.5% in 2020 and growth of 5.9% in 2021. Consumer price inflation of 0.5% in 2020 and 1.9% in 2021.
- Regulated electricity sales to decline by 12% in 2020 compared with 2019, due to new rules implemented in line with liberalization process. Free market sales are expected to achieve 20% of total volumes in 2020.
- Adjusted EBITDA to decline to BGN140 million-BGN150 million in 2020 and stabilize at BGN130 million-BGN140 million during 2021-2022.

- Capex of around BGN20 million and stabilizing at around BGN15 million-BGN20 million.
- A €600 million loan obtained from the government in December 2016 and maturing in December 2023, which we treat as debt rather than equity. The amount of loan is BGN973 million as of June 30, 2020.
- No dividends scheduled.
- Ongoing support from BEH, such as flexibility to renegotiate the terms of the loans from the parent.

Key metrics

Natsionalna Elektricheska Kompania EAD -- Key Metrics*

	--Fiscal year ended Dec. 31--				
	2018a	**2019a**	**2020e**	**2021f**	**2022f**
(Mil. BGN)					
Revenue	3,182.1	2,781.2	2,300.0-2,400.0	2,300.0-2,400.0	2,300.0-2,400.0
EBITDA	72.6	191.3	140.0-150.0	130.0-140.0	130.0-140.0
EBITDA margin (%)	2.3	6.9	5.5-6.5	5.5-6.5	5.5-6.5
Funds from operations (FFO)	68.3	188.6	140.0-150.0	130.0-140.0	130.0-140.0
Capital expenditure	9.6	10.5	15.0-25.0	15.0-20.0	15.0-20.0
Debt to EBITDA (x)	46.7	18.2	20.0-25.0	20.0-25.0	20.0-25.0
FFO to debt (%)	2.0	5.4	3.5-4.5	3.5-4.5	3.5-4.5

a--Actual. e--Estimate. f--Forecast. BGN--Bulgarian lev. *All figures adjusted by S&P Global Ratings.

NEK's stand-alone performance will remain weak but stabilize in the coming two to three years. We anticipate NEK's EBITDA will decline to BGN140 million-BGN150 million in 2020 from extraordinary high BGN191 million in 2019 and then to stabilize at BGN130 million-BGN140 million annually during 2021-2022. In mid-2019 all renewables and highly efficient combined heat and power (CHP) producers with installed capacity of and above 1 megawatt (MW) moved to free market (Independent Bulgarian Energy Exchange, IBEX platform). In addition, since Oct. 1, 2020, all non-household consumers have also been transferred from regulated to free market and their supply is secured by electricity traders rather than by NEK. This will lead to an about 12% decline in regulated electricity volumes at the end of 2020 and hence lower expected revenue from SESF because NEK will no longer receive compensation for these types of customers. In 2021-2022 EBITDA should be supported by further market liberalization, further development of the IBEX, and further reduction in electricity purchase costs.

We forecast NEK will have sufficient financial resources to serve its relatively low third-party debt. The share of NEK's debt obligations to third parties is relatively low, at below 1% of the total S&P Global Ratings-adjusted debt portfolio as of June 30, 2020, with less than BGN20 million of annual amortization. We expect NEK to generate sufficient amount of cash on a stand-alone basis to serve its external debt and continue to roll over debt to related parties, like its parent BEH and the government.

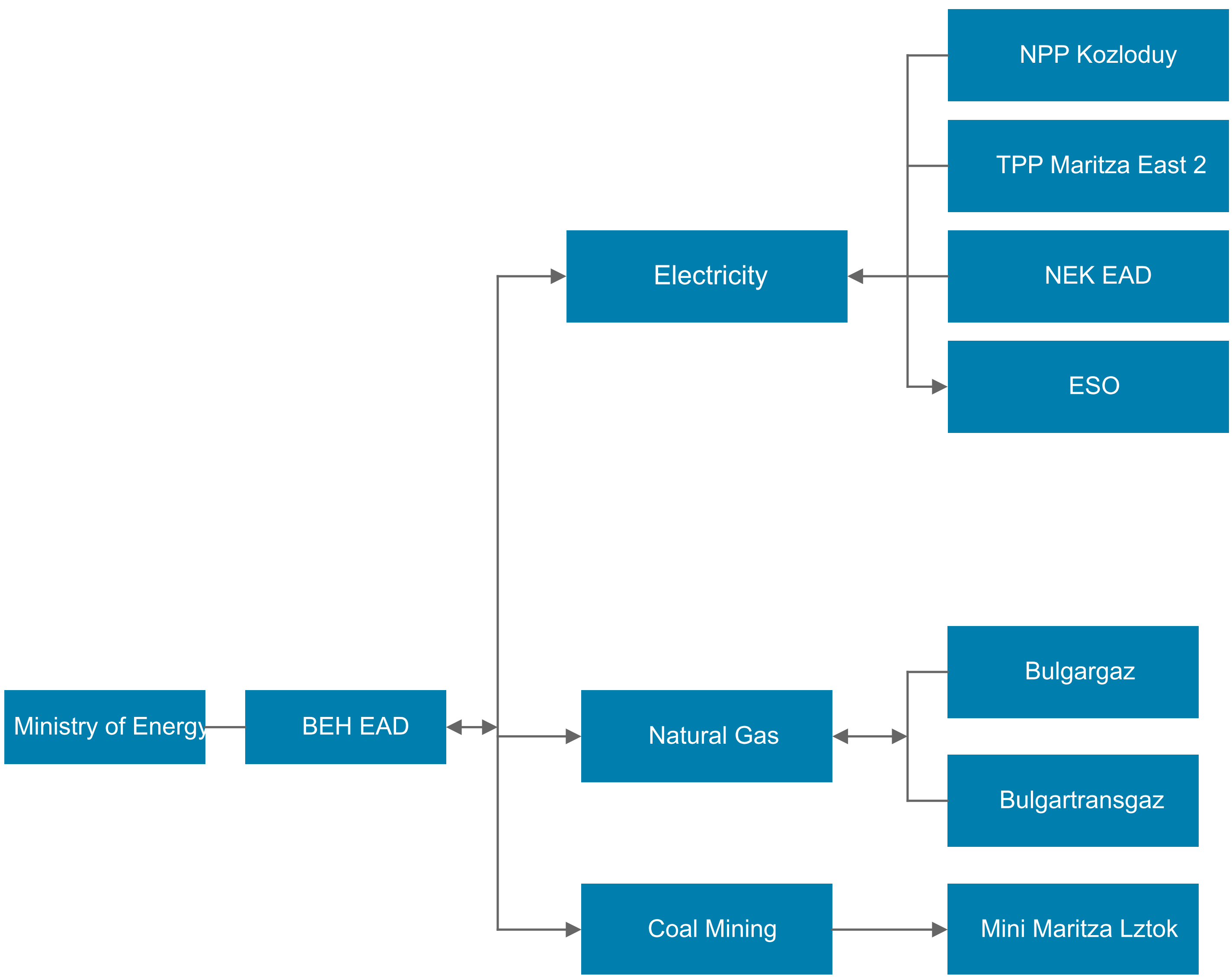
Company Description

NEK is a Bulgarian public provider of electricity to final suppliers on the regulated market; to the suppliers of last resort; on the platforms of the Bulgarian Independent Energy Exchange; in the balancing energy markets. As a public buyer, NEK is obliged to purchase electricity from small (below 1MW of installed capacity) renewables and highly efficient cogenerating power plants, two privately owned thermal power plants via long-term power purchase agreements and from "quota producers," which are companies within BEH Group - NPP Kozloduy, TPP Maritza East 2, NEK's own hydro power plants, as well as TPP Bobov dol (quotas are annually determined by EWRC price decision). This electricity is sold to end suppliers to ensure supply in the regulated market and also traded on the free market. According to International Financial Reporting Standards statements, during first-half 2020 NEK generated BGN1.3 billion of revenue and reported BGN3.6 billion of adjusted debt.

NEK is 100% owned by BEH, Bulgaria's vertically integrated energy holding, which itself is fully owned by the Bulgarian state through the Ministry of Energy.

Chart 1

NEK's Ownership Structure



Peer Comparison

Table 1

Natsionalna Elektricheska Kompania EAD--Peer Comparison

Industry sector: Electric

	Natsionalna Elektricheska Kompania EAD	Hrvatska Elektroprivreda d.d.	Eesti Energia AS	AB Ignitis Group	Federal Grid Co. of the Unified Energy System
Ratings as of Jan. 22, 2021	B+/Negative/--	BB+/Positive/--	BBB-/Negative/--	BBB+/Stable/--	BBB-/Stable/--
	--Fiscal year ended Dec. 31, 2019--				
(Mil. €)					
Revenue	1,422.0	1,954.3	956.4	1,079.3	3,335.9
EBITDA	97.8	511.4	260.4	205.2	1,752.4
Funds from operations (FFO)	96.4	446.5	218.5	185.8	1,381.6
Interest expense	67.9	24.5	35.4	15.9	250.6
Cash interest paid	1.4	24.9	24.7	14.8	247.2
Cash flow from operations	40.4	547.8	151.5	163.4	1,772.9
Capital expenditure	5.4	455.1	143.4	427.5	1,356.5
Free operating cash flow (FOCF)	35.1	92.7	8.1	(264.1)	416.4
Discretionary cash flow (DCF)	35.1	64.2	(48.9)	(278.0)	125.4
Cash and short-term investments	14.3	464.8	34.6	131.8	902.3
Debt	1,783.8	197.8	1,129.7	994.8	2,836.7
Equity	609.2	3,441.7	1,801.6	1,348.6	12,943.3
Adjusted ratios					
EBITDA margin (%)	6.9	26.2	27.2	19.0	52.5
Return on capital (%)	2.9	6.6	2.3	4.4	8.1
EBITDA interest coverage (x)	1.4	20.9	7.4	12.9	7.0
FFO cash interest coverage (x)	70.6	18.9	9.8	13.6	6.6
Debt/EBITDA (x)	18.2	0.4	4.3	4.8	1.6
FFO/debt (%)	5.4	225.7	19.3	18.7	48.7
Cash flow from operations/debt (%)	2.3	276.9	13.4	16.4	62.5
FOCF/debt (%)	2.0	46.9	0.7	(26.5)	14.7
DCF/debt (%)	2.0	32.4	(4.3)	(27.9)	4.4

Business Risk: Weak

The historically weak regulatory framework constrains the business risk profile. The Electricity and Water Regulatory Commission (EWRC) is the main regulatory body for NEK. The electricity selling price is regulated under the capital return rate method, whereby EWRC approves the price and annual revenue requirement for the company for a regulatory period of 12 months (July 1 to June 30). Historically, Bulgaria's regulatory framework lacked transparency and predictability, mainly due to high political influence, which led to the accumulation of a large tariff deficit.

NEK fulfils the role of the public supplier, and therefore it had to buy all electricity produced by generators and sell it to end-customer suppliers. Approved tariffs were politically, rather than economically, motivated to support the government's social policy. There was a divergence between electricity purchase costs from generators (BGN140-145 per megawatt hour [/MWh] in 2015-2016) and regulated electricity selling prices to end-customer suppliers (about BGN116/MWh for the same period), which led to a sizable accumulated deficit for NEK (about BGN1.5 billion currently). This was covered by loans from the parent company BEH. NEK's cost structure also suffered due to unsupportive regulation, since it was obliged to purchase electricity from renewables producers and highly-efficient CHP generators with much higher prices compared with fossil fuel generators.

Ongoing liberalization of the energy sector in Bulgaria could strengthen the regulatory environment. The longer track record of the current framework and resolving the historical tariff deficit could lead to improved business risk, in our view. The liberalization process in Bulgaria began in 2015, which we view as positive. The SESF and a mechanism to calculate obligation to society fees was created to cover NEK's accumulating tariff deficit with monthly payments. We understand that if the actual tariff deficit is higher than estimated, it will be covered in the next regulatory period. SESF is a separate level entity under the governance of the Ministry of Energy, collecting fees from all electricity generators and electricity and gas transmission system operators in Bulgaria.

As a public supplier, NEK is a beneficiary of the SESF's funds. Obligation to society fees are paid by all electricity consumers (included in electricity prices) and are also redistributed to NEK to cover its tariff deficit. In addition, IBEX was established in 2014, and gives NEK the opportunity to sell part of its electricity on the free market with a better price environment. From July 2019, it no longer has an obligation to purchase electricity from renewables generators with installed capacity of more than 1MW. Moreover, long-term contracts with CHP producers have matured, which we believe will lead to an improved cost structure. In addition, starting from October 2020, all nonhousehold consumers were transferred from the regulated to the free market.

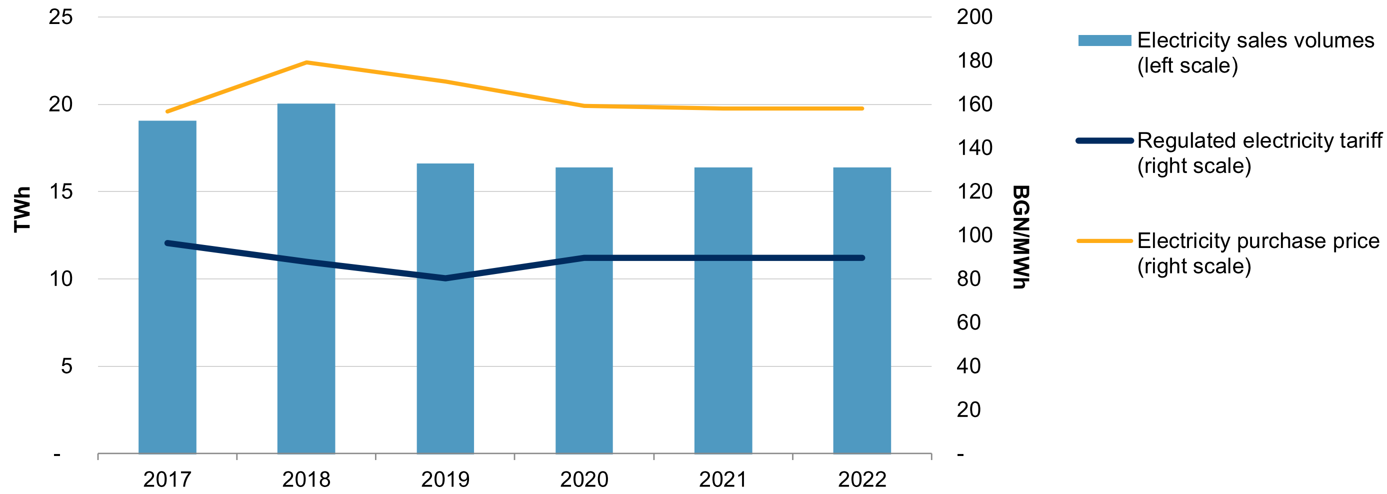
In addition, the company gets most of its revenue from regulated activities, which provides some certainty of future cash flows.

Financial Risk: Highly Leveraged

NEK's financial risk is constrained by high leverage, which is unlikely to reduce in the next two to three years. The company's debt to EBITDA is very high, due to large legacy debt covering the historical tariff deficit. Despite EBITDA stabilization, we don't expect debt to reduce unless the accumulated historical deficit has been resolved. We believe the company's FFO to debt will be around 3.5%-4.5% over the next two years, placing it firmly in highly leveraged category. We expect the same implications for S&P Global Ratings-adjusted debt to EBITDA, which we anticipate will be 20x-25x during 2020-2021.

Chart 2

NEK's Operating Figures 2017-2022



TWh--Terawatt-hour. BGN--Bulgarian lev. MWh--Megawatt-hour. Source: S&P Global Ratings.

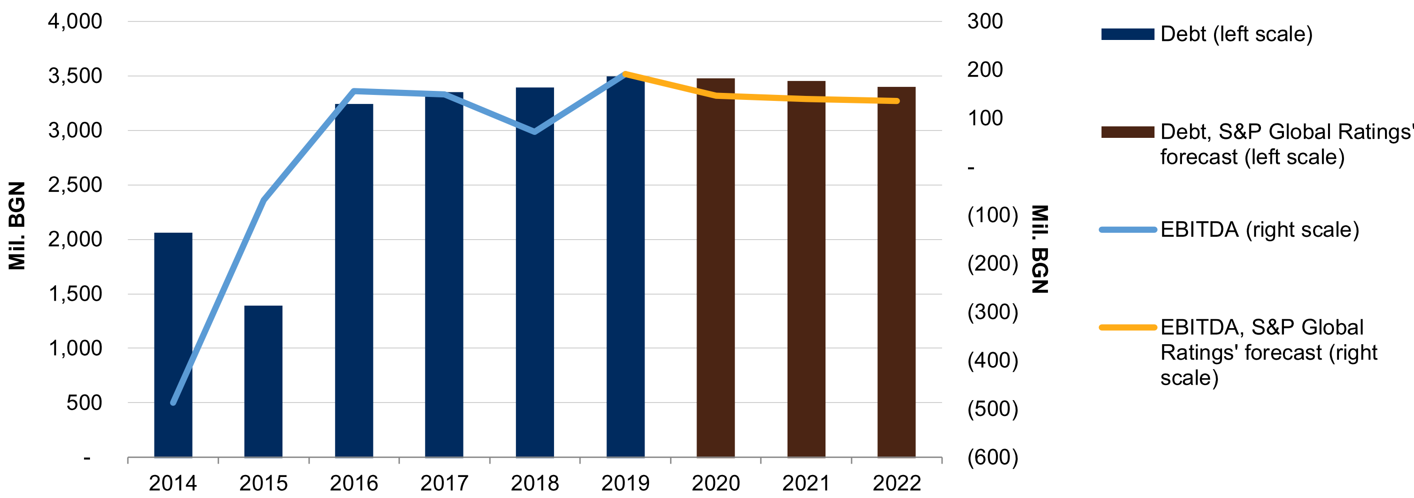
The key mitigant is that the parent and government are the largest creditors. Most of NEK's debts are loans from its parent BEH and the Ministry of Energy. We treat them as debt rather than equity because they are not subordinated, but we expect the company to be able to roll them over if needed.

As of June 30, 2020, loans from BEH amounted to BGN2.5 billion or 71.6% of NEK's S&P Global Ratings-adjusted debt portfolio. In addition, the Ministry of Energy has provided a loan to cover NEK's liability to AtomStroyExport, which arose during a previous attempt to construct the Belene nuclear power plant (NPP). As of June 30, 2020, the loan amounted to BGN973.5 million, or 27.4% of the total debt portfolio. It bears no interest and matures in 2023. NEK's debt to external parties is marginal accounted for about less than 1% of total debt on June 30, 2020. We believe NEK generates sufficient free operating cash flow (FOCF) to service its external debt because the amount is very small.

We expect positive FOCF due to low capex. NEK maintains a low level of capital investments, limiting its capex at the maintenance level (BGN9 million-BGN10 million historically) due to a long track record of liquidity shortages. In 2020 we expect capex to somewhat increase to around BGN20 million and then to stabilize at BGN15 million-BGN20 million annually, since the company is expecting to get government grants for capex funding. Further potential capex increase will mainly depend on the company's financial results.

Chart 3

NEK's Debt And EBITDA Evolution 2014-2022



BGN--Bulgarian lev. Source: S&P Global Ratings.

Financial summary

Table 2

Natsionalna Elektricheska Kompania EAD--Financial Summary					
Industry sector: Electric					
	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
(Mil. BGN)					
Revenue	2,781.2	3,182.1	3,096.6	3,028.8	3,200.6
EBITDA	191.3	72.6	148.6	155.9	(69.3)
Funds from operations (FFO)	188.6	68.3	142.8	148.3	(142.5)
Interest expense	132.8	127.6	124.6	103.8	64.0
Cash interest paid	2.7	4.3	5.9	7.7	73.1
Cash flow from operations	79.1	130.7	59.3	(2,167.1)	118.4
Capital expenditure	10.5	9.6	9.1	7.1	3.3
Free operating cash flow (FOCF)	68.6	121.1	50.1	(2,174.3)	115.2
Discretionary cash flow (DCF)	68.6	121.1	50.1	(2,174.3)	115.2
Cash and short-term investments	28.0	33.1	7.1	10.3	92.5
Gross available cash	28.0	33.1	7.1	10.3	92.5
Debt	3,488.9	3,385.1	3,344.8	3,232.5	1,380.0
Equity	1,191.6	1,194.6	1,285.8	1,280.2	1,610.0
Adjusted ratios					
EBITDA margin (%)	6.9	2.3	4.8	5.1	(2.2)

Table 2

Natsionalna Elektricheska Kompania EAD--Financial Summary (cont.)

Industry sector: Electric

	--Fiscal year ended Dec. 31--				
	2019	**2018**	**2017**	**2016**	**2015**
Return on capital (%)	2.9	1.1	2.7	3.6	(2.8)
EBITDA interest coverage (x)	1.4	0.6	1.2	1.5	(1.1)
FFO cash interest coverage (x)	70.6	16.9	25.4	20.4	(0.9)
Debt/EBITDA (x)	18.2	46.7	22.5	20.7	(19.9)
FFO/debt (%)	5.4	2.0	4.3	4.6	(10.3)
Cash flow from operations/debt (%)	2.3	3.9	1.8	(67.0)	8.6
FOCF/debt (%)	2.0	3.6	1.5	(67.3)	8.3
DCF/debt (%)	2.0	3.6	1.5	(67.3)	8.3

BGN--Bulgarian lev.

Reconciliation

Table 3

Natsionalna Elektricheska Kompania EAD--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. BGN)

	--Fiscal year ended Dec. 31, 2019--					
Natsionalna Elektricheska Kompania EAD reported amounts						
	Debt	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**
Reported	2,526.9	156.2	99.3	132.7	191.3	74.4
S&P Global Ratings' adjustments						
Cash interest paid	--	--	--	--	(2.7)	--
Postretirement benefit obligations/deferred compensation	12.0	--	--	0.1	--	--
Dividends received from equity investments	--	35.2	--	--	--	--
Asset-retirement obligations	2.7	--	--	--	--	--
Nonoperating income (expense)	--	--	35.2	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	4.7
Debt: Guarantees	0.2	--	--	--	--	--
Debt: Shareholder loans	947.1	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	(0.1)	(0.1)	--	--	--
Total adjustments	962.0	35.1	35.1	0.1	(2.7)	4.7
S&P Global Ratings' adjusted amounts						
	Debt	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**
Adjusted	3,488.9	191.3	134.4	132.8	188.6	79.1

PP&E--Plant, property, and equipment. BGN--Bulgarian lev.

Liquidity: Weak

We view NEK's liquidity as weak, based on the company's stand-alone liquidity arrangements. We understand that BEH is so far willing and able to provide sufficient liquidity support to NEK in a timely manner, and that NEK has some flexibility regarding interest payments on loans from BEH.

Principal liquidity sources in the 12 months from Sept. 30, 2020

- Cash and cash equivalents of BGN140 million.
- Our estimate of cash FFO of BGN28 million-BGN32 million.

Principal liquidity uses
• Debt maturities of BGN147 million (including BGN135 million of amortization of loans from BEH). • Capex of around BGN20 million.

Covenant Analysis

We understand that NEK remains in breach of its current financial ratio covenant on some of its loans. However, we think there is a low risk of the loan maturities being accelerated, since most of the loans under this covenant benefit from a government guarantee and receive waivers from creditors.

Environmental, Social, And Governance

Social factors are the key reasons for historically unsupportive regulation and NEK's accumulation of its historical deficit. The company has an important social role in maintaining reliable, safe, and sustainable electricity supply. We understand NEK complies with the terms of its operating license and regulatory requirements. These factors remain the key challenge in ongoing electricity sector reform. The liberalization process is under way, so we expect to see some positive developments that should allow the company to improve its performance and serve its external debt without parental support.

In terms of governance, the company is fully owned by the government through BEH and its activities are strongly aligned with government policy. We assess a weak management and governance score, mainly due to historical litigation and unfinished projects at the group level, i.e. Belene NPP project.

Environmental risks are currently less pronounced compared with many those of Western European peers, but they contribute to EBITDA volatility. Although NEK's own generation comes from zero-carbon hydro power plants, the company was exposed to a CO_2 price increase via purchased electricity. Furthermore, since the construction of the Belene NPP has returned to the agenda, environmental risk could rise in the future.

Group Influence

We continue to regard NEK as a strategically important subsidiary of BEH and consequently add two notches of uplift from NEK's 'b-' SACP. We cap our rating on NEK one notch below the 'bb-' group credit profile (GCP). Although we do not rate BEH, we factor its credit quality into our rating on NEK. We regard BEH as a government-related entity with a moderate likelihood of receiving extraordinary state support. The 'bb-' GCP takes into account our view of potential extraordinary state support.

Ratings Score Snapshot

Issuer Credit Rating

B+/Negative/--

Business risk: Weak

- **Country risk:** Moderately high
- **Industry risk:** Very low
- **Competitive position:** Weak

Financial risk: Highly leveraged

- **Cash flow/leverage:** Highly leveraged

Anchor: b-

Modifiers

- **Diversification/portfolio effect:** Neutral (no impact)
- **Capital structure:** Neutral (no impact)
- **Financial policy:** Neutral (no impact)
- **Liquidity:** Weak (no impact)
- **Management and governance:** Weak (no impact)
- **Comparable rating analysis:** Neutral (no impact)

Stand-alone credit profile : b-

- **Group credit profile:** bb-
- **Entity status within group:** Strategically important (+2 notches from SACP)

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Business And Financial Risk Matrix

	Financial Risk Profile					
Business Risk Profile	Minimal	Modest	Intermediate	Significant	Aggressive	**Highly leveraged**
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	bbb/bbb-	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	**b/b-**
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of January 22, 2021)*

Natsionalna Elektricheska Kompania EAD	
Issuer Credit Rating	B+/Negative/--
Issuer Credit Ratings History	
30-Aug-2019	B+/Negative/--
09-Aug-2018	B+/Stable/--
11-Apr-2018	B/Stable/--
18-Apr-2017	B/Negative/--
10-Oct-2016	B/Watch Neg/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:
Industrial Ratings Europe; Corporate_Admin_London@spglobal.com