

Bulgarian Energy Holding EAD

Rating Type	Rating	Outlook	Last Rating Action
Local-Currency Long-Term IDR	BB	Stable	Upgrade 15 February 2018
Long-Term IDR	BB	Stable	Upgrade 15 February 2018
Foreign-currency senior unsecured	BB		Upgrade 15 February 2018

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Financial Summary

(BGNm)	Dec 2014	Dec 2015	Dec 2016	Dec 2017F	Dec 2018F
Operating EBITDA	149	796	772	709	737
Funds Flow From Operations	182	877	659	583	608
Free Cash Flow	90	553	-1,826	25	-88
FFO Fixed Charge Coverage (x)	3.6	15.2	11.0	6.6	6.7
FFO Adjusted Net Leverage (x)	5.3	0.8	3.6	3.8	3.8

Source: Fitch

The February upgrade of Bulgarian Energy Holding EAD's (BEH) ratings follows improvement in the company's standalone credit profile after a recovery in earnings, and greater visibility on them. It also takes into account the publication of Fitch's new *Government-Related Entities Rating Criteria* (GRE criteria).

Key Rating Drivers

Improved Results: BEH's results have stabilised in 2016 and we expect its Fitch-calculated EBITDA to amount to about BGN0.7 billion over 2017-2021. This is largely due to legislative and regulatory changes, implemented in 2015 and remaining in force, which have narrowed power tariff deficits at BEH's subsidiary, Natsionalna Elektricheska Kompania EAD (NEK), a public supplier of electricity in Bulgaria. Consequently, we expect the group's funds from operations (FFO) adjusted net leverage to stabilise at about 3.7x, which led us to revise the group's standalone credit profile to 'BB-' from 'B+'.

Regulatory Regime's Weakness: Despite positive developments addressing NEK's tariff deficit, BEH and its subsidiaries are yet to establish a track record of improved cash flows while the Bulgarian operating environment remains subject to high regulatory and political risk. This is a constraint on the ratings despite BEH's strong projected credit metrics for the ratings and BEH's strong position as the leading integrated utility in Bulgaria. The energy market in Bulgaria is being liberalised, which can provide some upside to the group's EBITDA in the future.

Belene Payment Removes Event Risk: In December 2016, NEK paid BGN1,177 million, including accrued interest, to Russia's Atomstroyexport for the nuclear power plant equipment following a long arbitration process related to the terminated Belene nuclear power plant project. Funds for the payment were provided by the state in the form of an interest-free loan maturing in 2023. We deem the payment as positive for BEH as it has eliminated a large event risk for the company. That the payment was made from state-loan funds underlines BEH's strengthened links with the 100% owner Bulgarian State (BBB/Stable).

Parent Support Assessment: The share of state-guaranteed debt at BEH has fallen in our projections to about 5% at end-2017 (from 50% in 2012), but with the expected receipt of state guarantees to BEH's gas interconnector project between Greece and Bulgaria (IGB project) as well as counting in the interest free state-loan given to NEK, the share of state-guaranteed and state-provided debt was at about 40% at end-2017 and should remain at this level over our five-year rating horizon.

Moreover, the Ministry of Energy provided BEH with a letter of support (not a formal guarantee) before its 2016 Eurobond bond issue, stating that the Bulgarian state will undertake necessary measures to financially support BEH so it meets its obligations to bondholders. We therefore view the status, ownership and control links between BEH and the state as strong, although support track record and expectations are only moderate. We deem the socio-political and financial implications of BEH's potential default for the Bulgarian state as moderate. Consequently, BEH's IDRs include a single-notch uplift from the group's standalone profile.

Corporate Governance Limitations: The ratings continue to reflect BEH's corporate governance limitations, including a qualified audit opinion for BEH's 2009-2016 consolidated financial statements. We view the group's financial transparency, including on business segments, as weak compared with its European peers.

Rating Derivation Relative to Peers

Rating Derivation versus Peers	
Peer Comparison	<p>BEH has a dominant position in the Bulgarian gas and electricity market through its ownership of most of Bulgaria's power generation assets (including a nuclear power plant, 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 both electricity and gas in Bulgaria.</p> <p>BEH's integrated business structure and strategic position in the domestic market makes it comparable to some of central European peers such as CEZ, a.s. (A-/Negative) and PGE Polska Grupa Energetyczna SA (PGE, BBB+/Stable). However, BEH operates in a more volatile and less transparent regulatory environment than CEZ or PGE and its results are less predictable with some corporate governance issues. BEH's rating includes a single-notch uplift to reflect its links with the sovereign, whereas this is not the case for CEZ or PGE.</p>
Parent/Subsidiary Linkage	Parent/subsidiary linkage is applicable. BEH's ratings are notched up by one to 'BB' from BEH's stand-alone credit profile of 'BB-' for support from the Bulgarian state ('BBB').
Country Ceiling	No Country Ceiling constraint was in effect for these ratings.
Operating Environment	No operating environment influence was in effect for these ratings.
Other Factors	Not applicable.
Source: Fitch	

Rating Sensitivities

Future Developments That May, Individually or Collectively, Lead to Positive Rating Action

- Further tangible government support, such as additional state guarantees materially increasing the share of state-guaranteed debt or cash injections, which would more tightly link BEH's credit profile with Bulgaria's stronger credit profile
- Upgrade of the sovereign rating
- Stronger standalone credit profile due to lower regulatory and political risk, higher earnings predictability, better corporate governance or FFO adjusted net leverage falling below 3x on a sustained basis

Future Developments That May, Individually or Collectively, Lead to Negative Rating Action

- Weaker links with the Bulgarian State
- Weaker standalone credit profile, eg. due to escalation of regulatory and political risk, FFO adjusted net leverage exceeding 4x on a sustained basis or insufficient liquidity
- Sustained increase in prior-ranking debt to above 2x EBITDA (2016: 2.0x; 2017-2021: averaging just below 2.0x), which would be negative for the senior unsecured rating of BEH

Liquidity and Debt Structure

Liquidity Gap: At end-September 2017 BEH had BGN1,186 million of unrestricted cash against short-term financial liabilities of only BGN147 million. However, the group's EUR500 million (BGN980 million) Eurobond is due in November 2018. We expect BEH to refinance the Eurobond during 2018.

Should BEH not refinance the Eurobond, the amount of cash on balance should be sufficient to cover redemption needs. However, Fitch expects BEH to incur new debt to cover negative free cash flow forecasted for 2018-2019, totalling about BGN0.2 billion, or reduce capex.

Debt Maturities and Liquidity at FYE16

Liquidity Summary	Original	Forecast
	31 December 2016	31 December 2017
(BGNm)		
Total Cash & Cash Equivalents	1,016	1,005
Less: Not Readily Available Cash and Cash Equivalents	-7	-7
Fitch-defined Readily Available Cash and Cash Equivalents	1,009	998
Availability under Committed Lines of Credit	53	25
Total Liquidity	1,062	1,023
Short-term Debt	-152	-1,104
Plus: Fitch Forecast FCF (1-year ahead, post-dividend)	25	-88
Liquidity Usage	-127	-1,192
Liquidity Score	8.4	0.9

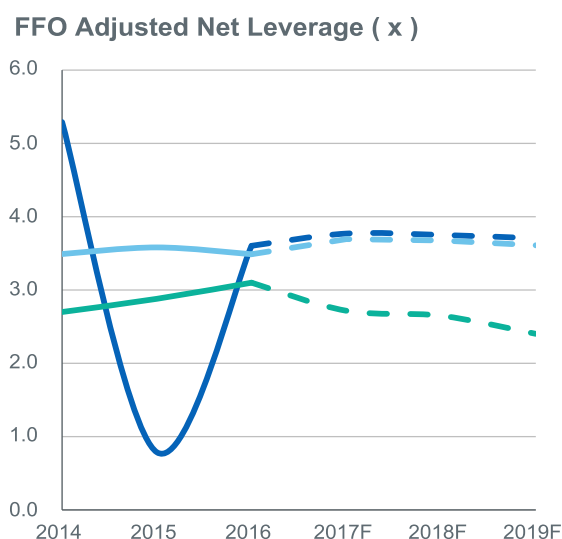
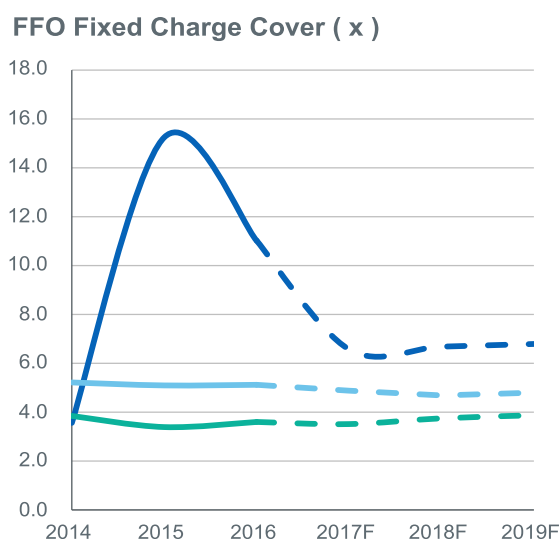
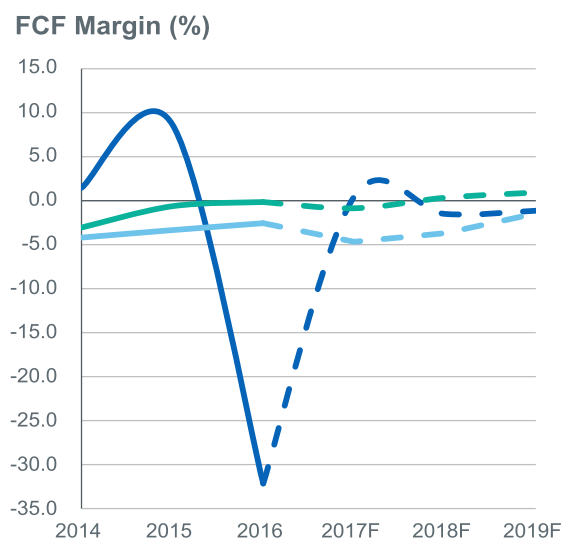
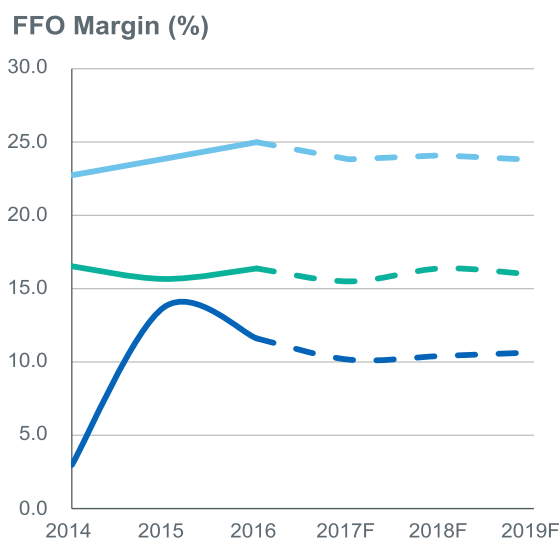
Source: Fitch Ratings, Inc., Company filings

Scheduled Debt Maturities	Original
	31 December 2016
(BGNm)	
31 December 2017	-152
31 December 2018	-1,104
31 December 2019	-93
31 December 2020	-36
31 December 2021	-1,112
Thereafter	-1,109
Total Debt Maturities	-3,606

Source: Fitch, Company filings.

Trends and Forecasts

Bulgarian Energy Holding EAD — Emerging BB Cat Median — Utilities Median —



Note: Including Fitch expectations
Source: Fitch

Definitions

FFO Margin: FFO divided by Revenues.

FCF Margin: FCF divided by Revenues.

FFO Fixed Charge Cover: FFO + Gross Interest paid minus interest received + Preferred Dividends paid + Operating Lease Expense for Capitalised Leased Assets divided by Gross Interest Paid + Preferred Dividends Paid + Operating Lease Expense for Capitalised Leased Assets.

FFO Adjusted Net Leverage: Total Debt with Equity Credit + Lease equivalent Debt + Other off Balance Sheet Debt - Readily Available Cash & Equivalents divided by Funds From Operations [FFO] + Gross Interest (Paid) - Interest Received + Preferred Dividends (Paid) + Operating Lease Expense for Capitalised Leased Assets.

Key Assumptions

Fitch's key assumptions within our rating case for the issuer include:

- Marginally positive EBITDA at NEK with impact of the remedy actions maintained
- Capex for 2017-2021 at BGN2.8 billion
- Dividend at 50% of group net income
- Forthcoming tangible state support in case of tight liquidity

Financial Data

(BGNm)	Historical			Forecast		
	Dec 2014	Dec 2015	Dec 2016	Dec 2017F	Dec 2018F	Dec 2019F
SUMMARY INCOME STATEMENT						
Gross Revenue	6,123	6,382	5,679	5,742	5,839	5,939
Revenue Growth (%)	8.8	4.2	-11.0	1.1	1.7	1.7
Operating EBITDA (Before Income From Associates)	149	796	772	709	737	766
Operating EBITDA Margin (%)	2.4	12.5	13.6	12.3	12.6	12.9
Operating EBITDAR	149	796	772	709	737	766
Operating EBITDAR Margin (%)	2.4	12.5	13.6	12.3	12.6	12.9
Operating EBIT	-395	210	172	104	133	154
Operating EBIT Margin (%)	-6.5	3.3	3.0	1.8	2.3	2.6
Gross Interest Expense	-61	-59	-116	-104	-106	-108
Pretax Income (Including Associate Income/Loss)	-170	188	-68	5	32	51
SUMMARY BALANCE SHEET						
Readily Available Cash and Equivalents	395	833	1,009	998	900	818
Total Debt With Equity Credit	1,678	1,569	3,606	3,570	3,559	3,544
Total Adjusted Debt with Equity Credit	1,678	1,569	3,606	3,570	3,559	3,544
Net Debt	1,284	736	2,597	2,571	2,659	2,727
SUMMARY CASH FLOW STATEMENT						
Operating EBITDA	149	796	772	709	737	766
Cash Interest Paid	-68	-61	-65	-104	-106	-108
Cash Tax	-46	-42	-46	-42	-43	-45
Dividends Received Less Dividends Paid to Minorities (Inflow/(Out)flow)	16	10	17	15	15	15
Other Items Before FFO	123	172	-23	0	0	0
Funds Flow From Operations	182	877	659	583	608	633
Change in Working Capital	314	81	-865	-9	-14	-14
Cash Flow From Operations (Fitch Defined)	496	958	-205	574	594	618
Total Non-Operating/Non-Recurring Cash Flow	0	0	-1,177			
Capital Expenditure	-385	-405	-429			
Capital Intensity (Capex/Revenue)	6.3	6.3	7.6			
Common Dividends	-21	0	-15			
Net Acquisitions and Divestitures	0	6	1			
Other Investing and Financing Cash Flow Items	203	-19	-361	0	0	0
Net Debt Proceeds	-93	-125	1,995	-36	-11	-15
Net Equity Proceeds	0	0	0	0	0	0

Total Change in Cash	199	416	-192	-11	-98	-82
DETAIL CASH FLOW STATEMENT						
FFO Margin (%)	3.0	13.7	11.6	10.2	10.4	10.7
Calculations for Forecast Publication						
Capex, Dividends, Acquisitions and Other Items Before FCF	-406	-399	-1,620	-549	-682	-686
Free Cash Flow After Acquisitions and Divestitures	90	559	-1,826	25	-88	-68
Free Cash Flow Margin (After Net Acquisitions) (%)	1.5	8.8	-32.1	0.4	-1.5	-1.1
COVERAGE RATIOS						
FFO Interest Coverage (x)	3.6	15.2	11.0	6.6	6.7	6.8
FFO Fixed Charge Coverage (x)	3.6	15.2	11.0	6.6	6.7	6.8
Operating EBITDAR/Interest Paid + Rents (x)	2.4	13.1	12.1	7.0	7.1	7.2
Operating EBITDA/Interest Paid (x)	2.4	13.1	12.1	7.0	7.1	7.2
LEVERAGES RATIOS						
Total Adjusted Debt/Operating EBITDAR (x)	10.2	1.9	4.6	4.9	4.7	4.5
Total Adjusted Net Debt/Operating EBITDAR (x)	7.8	0.9	3.3	3.6	3.5	3.5
Total Debt with Equity Credit/Operating EBITDA (x)	10.2	1.9	4.6	4.9	4.7	4.5
FFO Adjusted Leverage (x)	6.9	1.7	5.0	5.2	5.0	4.8
FFO Adjusted Net Leverage (x)	5.3	0.8	3.6	3.8	3.8	3.7
Source: Fitch						

How to Interpret the Forecast Presented

The forecast presented is based on the agency's 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 to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch's 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's forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch's own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch's own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch 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's own internal deliberations, where Fitch, 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 may update the forecast in future reports but assumes no responsibility to do so.

Rating Navigator

Bulgarian Energy Holding EAD

Corporates Ratings Navigator EMEA Utilities

Factor Levels	Sector Risk Profile	Operating Environment	Management and Corporate Governance	Business Profile				Financial Profile			Issuer Default Rating
				Position and Cash Flow Profile	Regulation	Market Trends and Risks	Asset Base and Operations	Profitability and Cash Flow	Financial Structure	Financial Flexibility	
aaa											AAA
aa+											AA+
aa											AA
aa-											AA-
a+	█										A+
a	█										A
a-	█										A-
bbb+				█			█		█		BBB+
bbb				█			█		█		BBB
bbb-		█					█		█		BBB-
bb+				█	█		█			█	BB+
bb			█		█			█		█	BB Stable
bb-					█			█		█	BB-
b+			█					█			B+
b											B
b-	█	█									B-
ccc											CCC
cc											CC
c											C
d or rd											D or RD

Operating Environment

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

Position and Cash Flow Profile

bbb+	Market Presence 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.
bbb-	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			

Market Trends and Risks

bbb	Fundamental Market Trends	bb	Markets with structural challenges.
bbb-	Generation and Supply Positioning	a	Strong position in the merit order; effective hedging; mature fuel procurement. Generation balanced with strong position in supply and demand.
bb+	Customer Base and Counterparty Risk	bb	Structurally challenged economy in area served; high counterparty risk; supply operations with high doubtful debt levels.
bb			
bb-			

Profitability and Cash Flow

bb	Free Cashflow	bbb	Structurally neutral to negative FCF across the investment cycle.
bb-	Volatility of Profitability	b	Stability and predictability of profits negative outliers relative to utility peers.
b+			
b			
b-			

Financial Flexibility

bbb-	Financial Discipline	bb	Financial policies in place but flexibility in applying them could lead to temporarily exceeding downgrade guidelines.
bb+	Liquidity	bb	Liquidity ratio around 1.0x. Less smooth debt maturity or concentrated funding.
bb	FFO Fixed Charge Cover	a	5.0x
bb-	FX Exposure	bb	FX exposure on profitability and/or debt/cash flow match. Some hedging but only partly effective.
b+			

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 man" 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			

Regulation

bbb-	Regulatory Framework and Policy Risk	bb	Opaque or overly demanding frameworks with limited track record, short-term tariffs; significant political risk.
bb+	Cost Recovery and Risk Exposure	bb	Inadequate tariff-setting mechanism for recovery of costs and investments, significant regulatory lag, price and volume risk.
bb			
bb-			
b+			

Asset Base and Operations

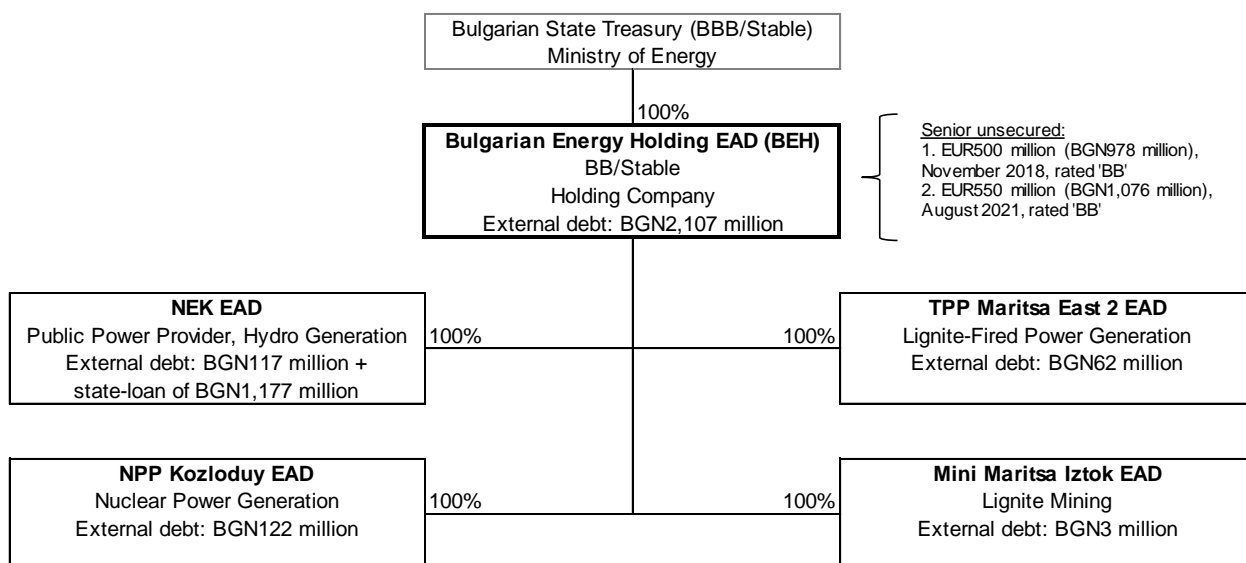
bbb+	Asset Quality	bbb	Mid-range asset quality not likely to affect opex and capex requirements compared with peers.
bbb	Asset Diversity	bb	Limited diversification by geography, generation source, supplied product.
bbb-	Carbon Exposure	bbb	Energy production balanced between clean and thermal sources;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

Financial Structure

a-	Lease Adjusted FFO Gross Leverage	bbb	5.0x
bbb+	Lease Adjusted FFO Net Leverage	bbb	4.5x
bbb			
bbb-			
bb+			

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.

Simplified Group Structure Diagram



Source: Fitch, BEH. Financial data as at end-June 2017

Peer Financial Summary

Company	Date	Rating ^a	Operating EBITDAR (EURm)	Funds Flow From Operations (EURm)	Free Cash Flow (EURm)	FFO Fixed Charge Coverage (x)	FFO Adjusted Net Leverage (x)
Bulgarian Energy Holding EAD	2018F	BB	379	313	-45	6.7	3.8
	2017F	BB-	365	300	13	6.6	3.8
	2016	BB-	395	337	-934	11.0	3.6
	2015	BB-	408	450	284	15.2	0.8
CEZ, a.s.	2018F	A-	2,127	1,771	-77	9.3	3.0
	2017F	A-	2,048	1,701	-230	9.2	3.1
	2016	A-	2,155	1,748	-295	9.4	2.9
	2015	A-	2,257	2,142	716	9.6	2.1
PGE Polska Grupa Energetyczna S.A.	2018F	BBB+	1,515	1,333	-631	12.3	2.4
	2017F	BBB+	1,749	1,538	-461	20.0	1.7
	2016	BBB+	1,527	1,506	-502	30.4	0.8
	2015	BBB+	1,957	1,766	-816	38.5	0.4
ENEA S.A.	2018F	BBB	546	439	-32	8.5	3.0
	2017F	BBB	551	463	-36	10.2	2.9
	2016	BBB	562	441	-92	12.4	2.2
	2015	BBB	541	446	-217	21.1	2.1
EP Energy, a.s.	2018F	BB+	313	158	47	3.6	3.8
	2017F	BB+	306	185	28	4.0	3.0
	2016	BB+	296	169	-66	3.3	3.2
	2015	BB+	372	354	-28	5.4	3.2
Drax Group	2018F	BB+	327	254	163	7.6	1.5
	2017F	BB+	279	184	235	5.8	2.6
	2016	not rated	166	150	-115	6.4	1.9
	2015	not rated	241	223	-24	9.2	1.4
Viesgo Generacion, S.L.U.	2018F	BB	55	44	-10	7.7	1.6
	2017F	BB	68	59	-9	9.3	1.1
	2016	BB	78	70	21	5.8	0.8
	2015	BB-	79	67	96	4.9	1.0

^a Ratings for 2018F present the IDRs as of the date of this report
Source: Fitch

Reconciliation of Key Financial Metrics

(BGN Millions, As reported)	31 Dec 2016
Income Statement Summary	
Operating EBITDA	772
+ Recurring Dividends Paid to Non-controlling Interest	0
+ Recurring Dividends Received from Associates	17
+ Additional Analyst Adjustment for Recurring I/S Minorities and Associates	0
= Operating EBITDA After Associates and Minorities (k)	789
+ Operating Lease Expense Treated as Capitalised (h)	0
= Operating EBITDAR after Associates and Minorities (j)	789
Debt & Cash Summary	
Total Debt with Equity Credit (l)	3,606
+ Lease-Equivalent Debt	0
+ Other Off-Balance-Sheet Debt	0
= Total Adjusted Debt with Equity Credit (a)	3,606
Readily Available Cash [Fitch-Defined]	540
+ Readily Available Marketable Securities [Fitch-Defined]	469
= Readily Available Cash & Equivalents (o)	1,009
Total Adjusted Net Debt (b)	2,597
Cash-Flow Summary	
Preferred Dividends (Paid) (f)	0
Interest Received	4
+ Interest (Paid) (d)	-65
= Net Finance Charge (e)	-62
Funds From Operations [FFO] (c)	659
+ Change in Working Capital [Fitch-Defined]	-865
= Cash Flow from Operations [CFO] (n)	-205
Capital Expenditures (m)	-429
Multiple applied to Capitalised Leases	8.0
Gross Leverage	
Total Adjusted Debt / Op. EBITDAR* [x] (a/j)	4.6
FFO Adjusted Gross Leverage [x] (a/(c-e+h-f))	5.0
<i>Total Adjusted Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Debt With Equity Credit / Op. EBITDA* [x] (l/k)	4.6
Net Leverage	
Total Adjusted Net Debt / Op. EBITDAR* [x] (b/j)	3.3
FFO Adjusted Net Leverage [x] (b/(c-e+h-f))	3.6
<i>Total Adjusted Net Debt/(FFO - Net Finance Charge + Capitalised Leases - Pref. Div. Paid)</i>	
Total Net Debt / (CFO - Capex) [x] ((l-o)/(n+m))	-4.1
Coverage	
Op. EBITDAR / (Interest Paid + Lease Expense)* [x] (j/-d+h)	12.1
Op. EBITDA / Interest Paid* [x] (k/(-d))	12.1
FFO Fixed Charge Cover [x] ((c-e+h-f)/(-d+h-f))	11.0
<i>(FFO - Net Finance Charge + Capit. Leases - Pref. Div Paid) / (Gross Int. Paid + Capit. Leases - Pref. Div. Paid)</i>	
FFO Gross Interest Coverage [x] ((c-e-f)/(-d-f))	11.0
<i>(FFO - Net Finance Charge - Pref. Div Paid) / (Gross Int. Paid - Pref. Div. Paid)</i>	
* EBITDA/R after Dividends to Associates and Minorities	
Source: Fitch, based on information from company reports.	

Fitch Adjustment Reconciliation

	Reported Values 31 Dec 16	Sum of Fitch Adjustments	Preferred Dividends, Associates and Minorities Cash Adjustments	Other Adjustment	Adjusted Values
Income Statement Summary					
Revenue	5,679	0			5,679
Operating EBITDAR	772	0			772
Operating EBITDAR after Associates and Minorities	772	17	17		789
Operating Lease Expense	0	0			0
Operating EBITDA	772	0			772
Operating EBITDA after Associates and Minorities	772	17	17		789
Operating EBIT	172	0			172
Debt & Cash Summary					
Total Debt With Equity Credit	2,429	1,177		1,177	3,606
Total Adjusted Debt With Equity Credit	2,429	1,177		1,177	3,606
Lease-Equivalent Debt	0	0			0
Other Off-Balance Sheet Debt	0	0			0
Readily Available Cash & Equivalents	1,009	0			1,009
Not Readily Available Cash & Equivalents	7	0			7
Cash-Flow Summary					
Preferred Dividends (Paid)	0	0			0
Interest Received	4	0			4
Interest (Paid)	-65	0			-65
Funds From Operations [FFO]	-534	1,194	17	1,177	659
Change in Working Capital [Fitch-Defined]	-865	0			-865
Cash Flow from Operations [CFO]	-1,399	1,194	17	1,177	-205
Non-Operating/Non-Recurring Cash Flow	0	-1,177		-1,177	-1,177
Capital (Expenditures)	-429	0			-429
Common Dividends (Paid)	-15	0			-15
Free Cash Flow [FCF]	-1,843	17	17		-1,826
Gross Leverage					
Total Adjusted Debt / Op. EBITDAR* [x]	3.1				4.6
FFO Adjusted Leverage [x]	-5.1				5.0
Total Debt With Equity Credit / Op. EBITDA* [x]	3.1				4.6
Net Leverage					
Total Adjusted Net Debt / Op. EBITDAR* [x]	1.8				3.3
FFO Adjusted Net Leverage [x]	-3.0				3.6
Total Net Debt / (CFO - Capex) [x]	-0.8				-4.1
Coverage					
Op. EBITDAR / (Interest Paid + Lease Expense)* [x]	11.8				12.1
Op. EBITDA / Interest Paid* [x]	11.8				12.1
FFO Fixed Charge Coverage [x]	-7.2				11.0
FFO Interest Coverage [x]	-7.2				11.0

*EBITDA/R after Dividends to Associates and Minorities

Source: Fitch

Summary of Financial Statement Adjustments: Financial debt at end-2016 is increased by BGN1,177 million of the face value of the state-loan received by NEK. The same amount, representing NEK's payment to Atomstroyexport with respect to the Belene nuclear project, is taken out from cash flow from operations and added to non-operating/non-recurring cash flow.

Full List of Ratings

	Rating	Outlook	Last Rating Action
Bulgarian Energy Holding EAD			
Local-Currency Long-Term IDR	BB	Stable	Upgrade 15 February 2018
Long-Term IDR	BB	Stable	Upgrade 15 February 2018
Foreign-currency senior unsecured rating	BB		Upgrade 15 February 2018

Related Research & Criteria

Fitch 2018 Outlook: EMEA Utilities (December 2017)
Corporate Rating Criteria (August 2017)
Exposure Draft: Corporate Rating Criteria (December 2017)
Government-Related Entities Rating Criteria (February 2018)

Analysts

Artur Galbarczyk +48 22 338 6291 artur.galbarczyk@fitchratings.com
Yeshvir Singh +44 20 3530 1810 yeshvir.singh@fitchratings.com

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