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RELEASE

S&P Global Ratings affirmed the BB+ credit rating of Transgaz and revised the outlook of the company from stable to negative

On 20 June 2018 S&P Global Ratings published the report on the revision of the outlook of the National Gas Transmission System Operator SNTGN Transgaz SA from stable to negative. At the same time it affirmed the BB + credit rating of the company.

The decision of the financial services agency to revise the outlook is based on:

- The possibility of the weakening of Transgaz`s financial performance over the next two years, with funds from operations (FFO) to debt falling substantially below 30%, due to increasing capex related to BRUA phase 1 and declining EBITDA;
- The BRUA project execution risks;
- potential pressures on liquidity, and longer-term uncertainties related to the position of Transgaz's gas transmission business, given potential changes in the key gas transit routes in Central and Eastern Europe if the physical flow of Russian gas via Ukraine is replaced with new routes.

In affirming the current credit rating, S&P Global Ratings expects that liquidity will stay adequate, the regulatory framework will remain reasonably predictable, with sufficient visibility of future cash flows, and Transgaz will remain shielded from negative political intervention linked to changes in the national macroeconomic or fiscal environment

S&P Global Ratings sees ratings upside as limited in the next two years, due to the company's significant capex program.

The rating agency states that the outlook of Transgaz would revise to stable if the company's credit metrics recovered over the following period of time, with the FFO to debt at about 30%. This could result from: successful completion of BRUA phase 1 and the respective additions to the RAB boosting regulated revenues, from lower capex than currently envisaged, from a lower dividend payout or other supportive measures from the shareholders.

THE COMMUNICATION DEPARTMENT