

Czech Gas Networks Investments S.a r.l

Czech Gas Networks Investments S.a r.l's (CGNI) 'BBB' rating reflects its 2022-2025 regulatory visibility and supportive regulatory framework, which Fitch Ratings expects will allow the company to maintain stable operating cash flow generation amid current uncertainty on gas markets, increased counterparty risk, high inflation and rising interest rates.

The Stable Outlook reflects our expectation that CGNI will manage dividends to maintain its funds from operations (FFO) net leverage below 6.7x on a sustained basis, which is consistent with the company's public intention to maintain the rating.

Key Rating Drivers

2023 Affected by One-Off: Allowed revenue is set to decline by CZK1.5 billion to about CZK10.3 billion in 2023 due to the reimbursement of the historic claimed k-factor (CZK2.65 billion, one-off event). However, we expect a recovery of about CZK3.1 billion in 2024, close to normalised allowed revenue levels. The impact from the higher negative k-factor in 2023 results in EBITDA of CZK7.8 billion (versus CZK8.7 billion forecasted in 2022), with an expected recovery later on.

2023 Leverage above Negative Rating Threshold: The pace of dividend distributions defines CGNI's leverage. We expect dividends (including interest paid on shareholder loans, or SHL) of CZK3.5 billion in 2023, CZK1.5 billion above our previous forecast of CZK1.9 billion. This amount considers deferred payment of dividends postponed in 2022 due to uncertainty on gas markets after Russia's invasion of Ukraine.

As result, we forecast funds from operations (FFO) net leverage to reach 7.2x in 2023 (versus 6.7x negative sensitivity) but to return within rating sensitivities from 2024. We expect average leverage metrics for 2022-2025 to remain consistent with the 'BBB' rating. Coverage metrics are well placed within the guidelines despite higher interest rates (95% of debt is hedged until 2025).

Supportive Framework; Stable RP5: 2024 parameters have been defined in line with expectations. We do not expect high gas prices to affect CGNI's operating profitability, since procurement costs for network losses are included in tariffs. Opex and capex parameters for 2024 have also been approved, with an overall neutral impact from inflation. Final 2024 tariffs were approved in November with a yoy increase above 30%.

RAB Convergence with NAV: The convergence of CGNI's regulatory asset base (RAB) with its net asset value (NAV) within the current regulatory period remains unchanged. CGNI's RAB is swiftly reconciled with its NAV, with an expected rise to CZK70 billion by 2025 (from almost CZK57 billion in 2021).

RP6 Process Launched: Regulator ERO formally launched a project in April 2023 to prepare regulatory rules for RP6. The draft of the regulatory parameters should be available for stakeholders' comments by end of August 2024 and be finally approved by 1Q25.

Ratings

Long-Term IDR	BBB
Senior Unsecured Debt - Long-Term Rating	BBB+

Outlook

Long-Term Foreign-Currency IDR	Stable
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2035 Climate Vulnerability Signal: 45

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

Applicable Criteria

[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)
[Corporate Rating Criteria \(October 2022\)](#)
[Climate Vulnerability in Corporate Ratings Criteria \(July 2023\)](#)

Related Research

[Global Corporates Macro and Sector Forecasts \(September 2023\)](#)

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Potential Sale Makes Capital Structure Uncertain: The main shareholder, a consortium led by Macquarie Asset Management (MIRA), could launch a sale process of the company following the end of the 10-year investment horizon strategy. Fitch believes the reference shareholder and CGNI management intend to maintain the current rating, and understands that they retain all levers to achieve this leverage target. However, the expected future change in shareholding creates uncertainty regarding the future capital structure, which is conditional on final ownership.

Financial Summary

(CZKm)	2020	2021	2022	2023F	2024F	2025F
EBITDA	8,931.0	10,238.0	9,180.0	7,830.3	10,656.0	10,324.0
EBITDA margin (%)	61.2	67.9	65.7	52.9	61.0	61.6
FCF	127.0	-13,055.0	2,138.0	—	—	—
FFO interest coverage (x)	7.2	9.1	7.1	5.7	7.8	7.7
FFO net leverage (x)	5.2	5.9	6.5	7.2	6.5	6.7

F — Forecast

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

CGNI has a solid business profile and a similar debt capacity to that of large European peer E.ON SE (BBB+/Stable), whose rating differential is primarily driven by its more conservative capital structure (around 1.0x lower FFO net leverage). We believe the two companies benefit from similarly supportive regulations (Germany and Sweden versus the Czech Republic), while E.ON's large exposure to supply and generation (around 20% of EBITDA) is mitigated by its unique diversification and size.

CGNI's business risk is higher than that of the Italian distribution system operator (DSO) Italgas S.p.A. (BBB+/Stable), due to better regulatory features in Italy, such as a longer record of fully independent regulation. CGNI's leverage is similar to that forecast for Italgas, and the rating differential is mostly explained by our view of lower business risk at the Italian operator

We consider CGNI's business profile as more defensive than that of central and eastern European peer, SPP distribucia, a.s. (A-/Stable; Standalone Credit Profile of 'a'). This is because the Czech regulatory system is well protected from volume risk and less exposed to political risk. However, SPPD's conservative capital structure, with average FFO net leverage of 2.4x forecast in 2023-2027, mostly explains the SCP differential. SPP's Issuer Default Rating (IDR) is capped at one notch above the consolidated credit profile of its immediate parent, SPPI, in line with our

Parent and Subsidiary Linkage Rating Criteria.

Navigator Peer Comparison

Issuer		Business profile							Financial profile		
	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility	
Czech Gas Networks Investments S.a.r.l	BBB+/Stable	a+	bbb	a-	bbb+	a-	a	bbb	bb+	a	
E.ON SE	BBB+/Stable	aa	a-	bbb+	bbb+	a-	a-	bbb	bbb	a	
e-netz Suedhessen AG	BBB+/Stable	aa-	bbb	bbb	bbb+	bbb+	a-	bbb	bbb+	bbb	
Italgas S.p.A.	BBB+/Stable	a-	a-	a-	a-	bbb+	a	bbb	bbb-	bbb-	
SPP	A-/Stable	a-	bbb+	a	bbb-	a-	a-	a-	a+	bbb-	
Source: Fitch Ratings.		Relative Importance of Factor: Higher Moderate Lower									
Issuer		Business profile							Financial profile		
Name	IDR/Outlook	Operating Environment	Management and Corporate Governance	Sector Positioning	Regulatory Environment	Asset Base	Operational Profile	Profitability and Cash Flow	Financial Structure	Financial Flexibility	
Czech Gas Networks Investments S.a.r.l	BBB+/Stable	+4	0	+2	+1	+2	+3	0	-2	+3	
E.ON SE	BBB+/Stable	+5	+1	0	0	+1	+1	-1	-1	+2	
e-netz Suedhessen AG	BBB+/Stable	+4	-1	-1	0	0	+1	-1	0	-1	
Italgas S.p.A.	BBB+/Stable	+1	+1	+1	+1	0	+2	-1	-2	-2	
SPP	A-/Stable	0	-1	+1	-3	0	0	0	+2	-3	
Source: Fitch Ratings.		Factor Score Relative to IDR: Worse positioned than IDR Within one notch of IDR Better positioned than IDR									

Rating Sensitivities

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

- FFO net leverage below 6.0x and FFO interest coverage above 5.1x on a sustained basis

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

- FFO net leverage above 6.7x or FFO interest coverage below 4.1x, over a sustained period, for example as a result of an upward revision to dividend policy
- Weakening business risk profile, as a consequence of a less predictable regulatory framework

ESG Considerations

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

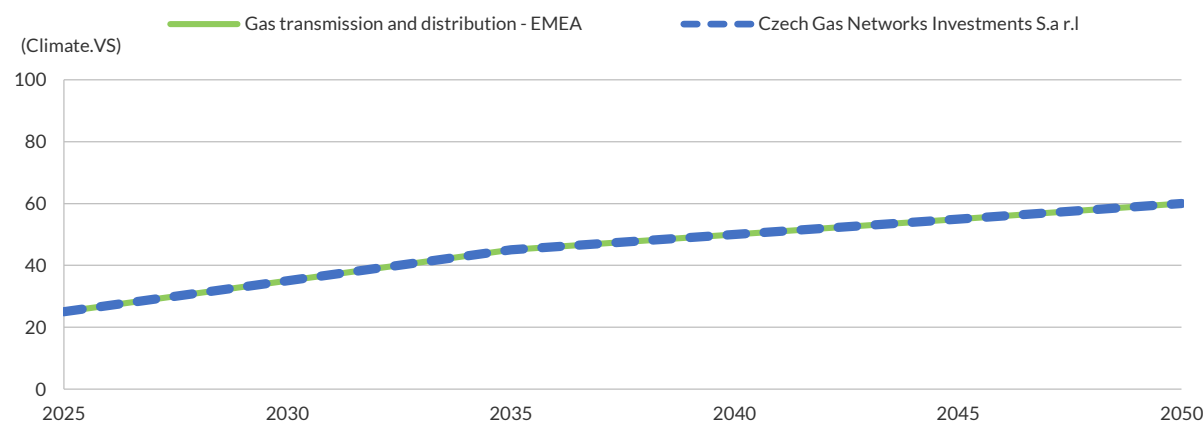
Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from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

The FY22 revenue-weighted Climate.VS for Czech Gas Networks Investments for 2035 is 45 out of 100, suggesting material exposure to climate-related risks in that year. For further information on how Fitch perceives climate-related risks in the utilities sector, see Utilities – Long-Term Climate Vulnerability Signals Update.

This is mitigated by characteristics of the Czech Republic's energy system (reliance on fossil fuels) and constraints of alternative technologies in the country likely leading to gaseous fuels playing a significant role across all decarbonisation scenarios.

Climate.VS Evolution

As of Dec. 31, 2022



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(CZKm)	2023F	2024F	2025F
Available liquidity			
Beginning cash balance	4,040	4,132	-8,312
Rating case FCF after acquisitions and divestitures	-2,108	-11,008	874
Total available liquidity (A)	1,932	-8,475	-7,601
Liquidity uses			
Debt maturities	–	–	–
Total liquidity uses (B)	–	–	–
Liquidity calculation			
Ending cash balance (A+B)	1,932	-8,475	-7,601
Revolver availability	1,500	1,500	1,500
Ending liquidity	3,432	-6,975	-6,101
Liquidity score (x)	Not meaningful	Not meaningful	Not meaningful

F – Forecast.

Source: Fitch Ratings, Fitch Solutions, Czech Gas Networks Investments S.a r.l

Scheduled debt maturities

(CZKm)	31 Dec 22
2023	–
2024	–
2025	–
Thereafter	56,874
Total	56,874

Source: Fitch Ratings, Fitch Solutions, Czech Gas Networks Investments S.a r.l

Key Assumptions

- Revenues based on the current RP5 regulatory framework, including accelerated RAB revaluation
- Annual EBITDA of CZK7.8 billion in 2023, averaging CZK10.5 billion in 2024-2025
- Average annual capex of CZK5.3 billion in 2023-2025
- Average dividends at around CZK6.3 billion for 2023-2025

Financial Data

(CZKm)	2020	2021	2022	2023F	2024F	2025F
Summary income statement						
Gross revenue	14,594	15,069	13,981	14,800	17,455	16,758
Revenue growth (%)	242.6	3.3	-7.2	5.9	17.9	-4.0
EBITDA before income from associates	8,931	10,238	9,180	7,830	10,656	10,324
EBITDA margin (%)	61.2	67.9	65.7	52.9	61.0	61.6
EBITDA after associates and minorities	8,931	10,238	9,180	7,830	10,656	10,324
EBITDAR	9,156	10,238	9,180	7,830	10,656	10,324
EBITDAR margin (%)	62.7	67.9	65.7	52.9	61.0	61.6
EBIT	1,409	3,276	2,505	3,608	6,347	5,947
EBIT margin (%)	9.7	21.7	17.9	24.4	36.4	35.5
Gross interest expense	-1,916	-1,432	-2,055	-1,340	-1,298	-1,249
Pretax income including associate income/loss	-2,122	4,772	-2,609	2,288	5,064	4,714
Summary balance sheet						
Readily available cash and equivalents	1,741	1,376	4,040	1,932	1,072	1,946
Debt	43,965	56,517	56,874	56,874	66,421	66,421
Lease-adjusted debt	45,765	56,517	56,874	56,874	66,421	66,421
Net debt	42,224	55,141	52,834	54,942	65,349	64,4757
Summary cash flow statement						
EBITDA	8,931	10,238	9,180	7,830	10,656	10,324
Cash interest paid	-1,134	-1,021	-1,146	-1,340	-1,298	-1,249
Cash tax	-732	-1,031	-737	-230	-547	-677
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-34	68	-361	—	—	—
FFO	7,031	8,260	7,107	6,281	8,827	8,413
FFO margin (%)	48.2	54.8	50.8	42.4	50.6	50.2
Change in working capital	21	-311	508	-2	-79	-179
CFO (Fitch-defined)	7,052	7,949	7,615	6,279	8,748	8,235
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-4,368	-4,531	-3,784	—	—	—
Capital intensity (capex/revenue) (%)	29.9	30.1	27.1	—	—	—
Common dividends	-2,557	-16,473	-1,693	—	—	—
FCF	127	-13,055	2,138	—	—	—
FCF margin (%)	0.9	-86.6	15.3	—	—	—
Net acquisitions and divestitures	10	11	34	—	—	—
Other investing and financing cash flow items	-93	—	—	—	—	—
Net debt proceeds	771	12,679	492	—	9,547	—
Net equity proceeds	—	—	—	—	—	—
Total change in cash	815	-365	2,664	-2,108	-861	874
Leverage ratios (x)						
EBITDA leverage	4.9	5.5	6.2	7.3	6.2	6.4
EBITDA net leverage	4.7	5.4	5.8	7.0	6.1	6.2
EBITDAR leverage	5.0	5.5	6.2	7.3	6.2	6.4
EBITDAR net leverage	4.8	5.4	5.8	7.0	6.1	6.2
EBITDAR net fixed-charge coverage	6.7	10.1	9.4	5.9	8.3	8.4
FFO adjusted leverage	5.5	6.1	7.0	7.5	6.6	6.9
FFO adjusted net leverage	5.2	5.9	6.5	7.2	6.5	6.7
FFO leverage	5.4	6.1	7.0	7.5	6.6	6.9
FFO net leverage	5.2	5.9	6.5	7.2	6.5	6.7

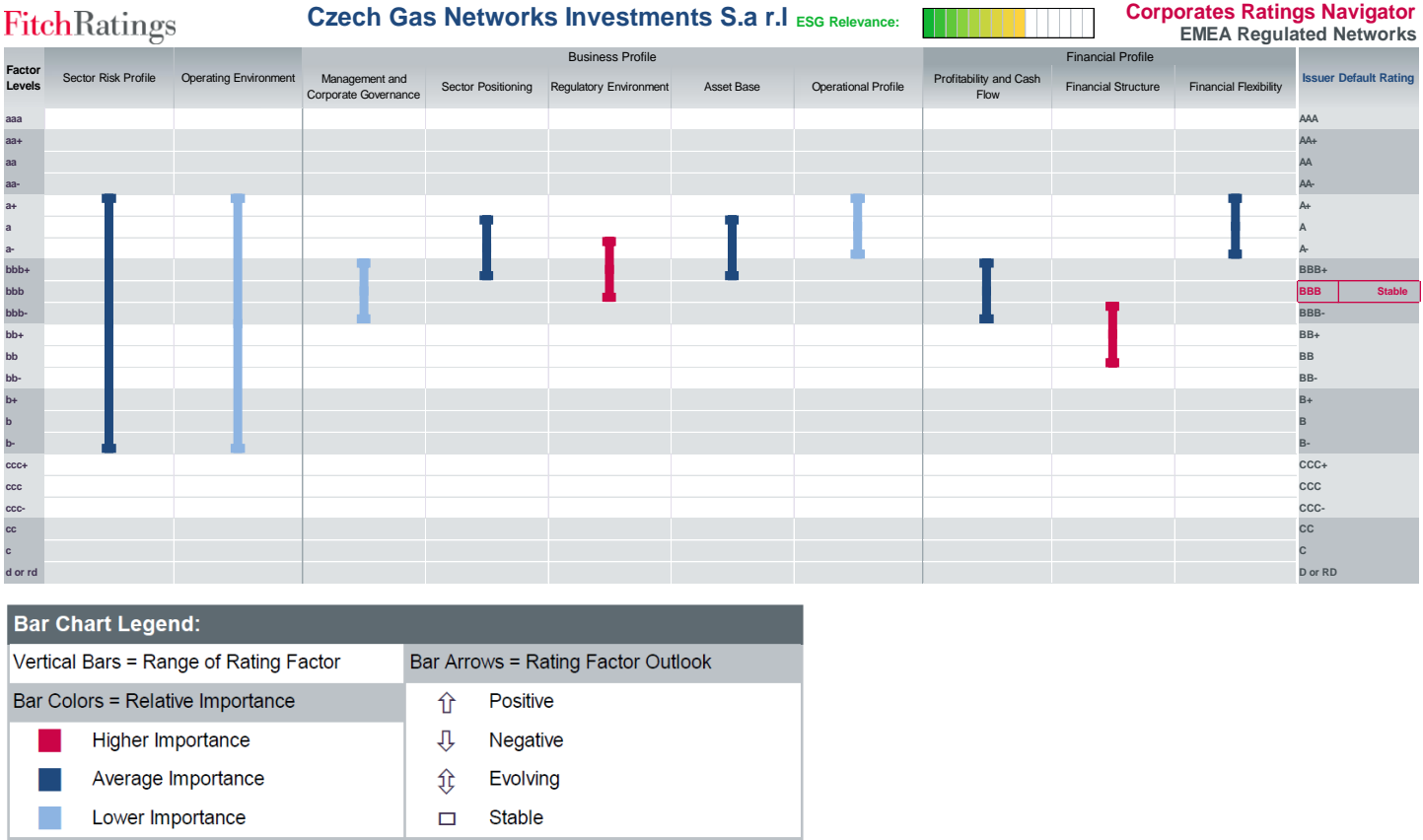
(CZKm)	2020	2021	2022	2023F	2024F	2025F
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-6,915	-20,993	-5,443	-8,387	-19,155	-7,361
FCF after acquisitions and divestitures	137	-13,044	2,172	-2,108	-10,408	874
FCF margin after net acquisitions (%)	0.9	-86.6	15.5	-14.2	-59.6	5.2
Coverage ratios (x)						
FFO interest coverage	7.2	9.1	7.1	5.7	7.8	7.7
FFO fixed-charge coverage	6.2	9.1	7.1	5.7	7.8	7.7
EBITDAR fixed-charge coverage	6.7	10.0	8.0	5.8	8.2	8.3
EBITDA interest coverage	7.9	10.0	8.0	5.8	8.2	8.3
Additional metrics (%)						
CFO-capex/debt	6.1	6.0	6.7	2.4	5.4	3.7
CFO-capex/net debt	6.4	6.2	7.3	2.5	5.5	3.8
CFO/capex	161.4	175.4	201.2	127.6	169.7	142.3

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



Operating Environment

aa-	Economic Environment	a	Strong combination of countries where economic value is created and where assets are located.
a+	Financial Access	aa	Very strong combination of issuer-specific funding characteristics and the strength of the relevant local financial market.
	Systemic Governance	a	Systemic governance (eg rule of law, corruption, government effectiveness) of the issuer's country of incorporation consistent with 'a'.
b-			
ccc+			

Sector Positioning

a+	Operation Type	a	National or regional monopolies, transmission or distribution asset owners.
a	Non-Regulated Earnings (% of Total Earnings)	a	up to 10%
a-			
bbb+			
bbb			

Asset Base

a+	Diversification	bbb	Limited diversification by geography without regulatory diversification; regional utility.
a	Critical Mass	a	Critical mass in one regulated asset; does not affect efficiency of operations (cost base, customer base, key personnel).
a-	Asset Quality and Residual Life	a	High asset quality likely to benefit opex and capex requirements compared with peers. The residual life of regulatory assets is long.
bbb+			
bbb			

Profitability and Cash Flow

a-	Return on Capital	a	Return on capital at, or comfortably above, the regulatory benchmark.
bbb+	Volatility of Profitability	bbb	Stability and predictability of profit in line with utility peers.
bbb	Investment Cycle	bb	Investment cycle position and dividend policy leading to significantly negative free cash flow. Limited flexibility in smoothing capex plans.
bbb-			
bb+			

Financial Flexibility

aa-	Financial Discipline	a	Clear commitment to maintain a conservative policy with only modest deviations allowed.
a+	Liquidity	a	Very comfortable liquidity. No need to use external funding in the next 12 months even under a severe stress scenario. Well spread debt maturity schedule. Diversified sources of funding.
a	FFO Interest Coverage	a	4.5x
a-	FX Exposure	aa	No material FX mismatch.
bbb+	Dividend Cover		

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.

Management and Corporate Governance

a-	Management Strategy	a	Coherent strategy and good track record in implementation.
bbb+	Governance Structure	bbb	Good governance record but board effectiveness/independence less obvious. No evidence of abuse of power even with ownership concentration.
bbb	Group Structure	bbb	Some group complexity leading to somewhat less transparent accounting statements. No significant related-party transactions.
bbb-	Financial Transparency	bbb	Good-quality reporting without significant failings. Consistent with the average of listed companies in major exchanges.
bb+			

Regulatory Environment

a	Independence, Transparency, Predictability	bbb	Less transparent frameworks, with emerging track record and multi-year tariffs; exposed to political risk. Medium-term predictability.
a-	Licensing, Ring-Fencing, Concessioning	n.a.	
bbb+	Cost and Investment Recovery	a	Tariff setting with challenge mechanisms that may marginally limit cost and investment recovery, with little regulatory lag.
bbb	Volume and Price Risk	a	High insulation from price and volume risk, little revenue under-recovery.
bbb-			

Operational Profile

aa-	Performance Measures	a	Key performance measures in line with or above sector average and/or regulatory target.
a+	Counterparty Risk	a	Low counterparty risk; high collection rates for water suppliers. Economy of area served provides structurally stable background.
a			
a-			
bbb+			

Financial Structure

bbb	FFO Leverage	bb	7.0x
bbb-	FFO Net Leverage	bb	6.5x
bb+	Adjusted Net Debt/Asset Base (or Regulated Asset Base)	b	90%
bb	Cash PMCR		
bb-	Nominal PMCR		

Credit-Relevant ESG Derivation

				Overall ESG	
Czech Gas Networks Investments S.a r.l has 9 ESG potential rating drivers					
key driver	0	issues	5		
driver	0	issues	4		
potential driver	9	issues	3		
not a rating driver	3	issues	2		
	2	issues	1		

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

Credit-Relevant ESG Derivation

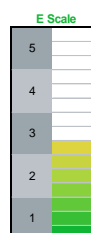
Czech Gas Networks Investments S.a r.l has 9 ESG potential rating drivers

- ➡ Czech Gas Networks Investments S.a r.l has exposure to extreme weather events but this has very low impact on the rating.
- ➡ Czech Gas Networks Investments S.a r.l has exposure to access/affordability risk but this has very low impact on the rating.
- ➡ Czech Gas Networks Investments S.a r.l has exposure to customer accountability risk but this has very low impact on the rating.
- ➡ Czech Gas Networks Investments S.a r.l has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➡ Czech Gas Networks Investments S.a r.l has exposure to social resistance but this has very low impact on the rating.
- ➡ Governance is minimally relevant to the rating and is not currently a driver.

Overall ESG Scale				
key driver	0	issues	5	
driver	0	issues	4	
potential driver	9	issues	3	
not a rating driver	3	issues	2	
	2	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Emissions from operations	Profitability and Cash Flow
Energy Management	2	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	1	Water usage in operations; water utilities' financial targets for water quality, leakage and usage	Operations; Profitability and Cash Flow; Financial Structure; Financial Flexibility
Waste & Hazardous Materials Management; Ecological Impacts	2	Impact of waste including pollution incidents; discharge compliance; sludge disposal	Operations; Profitability and Cash Flow; Financial Flexibility
Exposure to Environmental Impacts	3	Exposure to extreme weather events - negative (e.g. risk of drought and flooding) or positive (e.g. additional return on capex for network weather-resilience)	Operations; Profitability and Cash Flow; Financial Flexibility



How to Read This Page

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

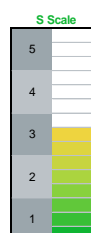
The **Environmental (E), Social (S) and Governance (G)** tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The **Credit-Relevant ESG Derivation** table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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) and the Sustainability Accounting Standards Board (SASB).

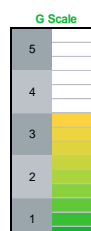
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	3	Product affordability and access	Profitability and Cash Flow; Regulatory Environment
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	Financial Structure; Financial Flexibility
Exposure to Social Impacts	3	Social resistance to major projects that leads to delays and cost increases	Operations; Profitability and Cash Flow



Governance (G)

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	3	Complexity, transparency and related-party transactions	Management and Corporate Governance
Financial Transparency	3	Quality and timing of financial disclosure	Management and Corporate Governance

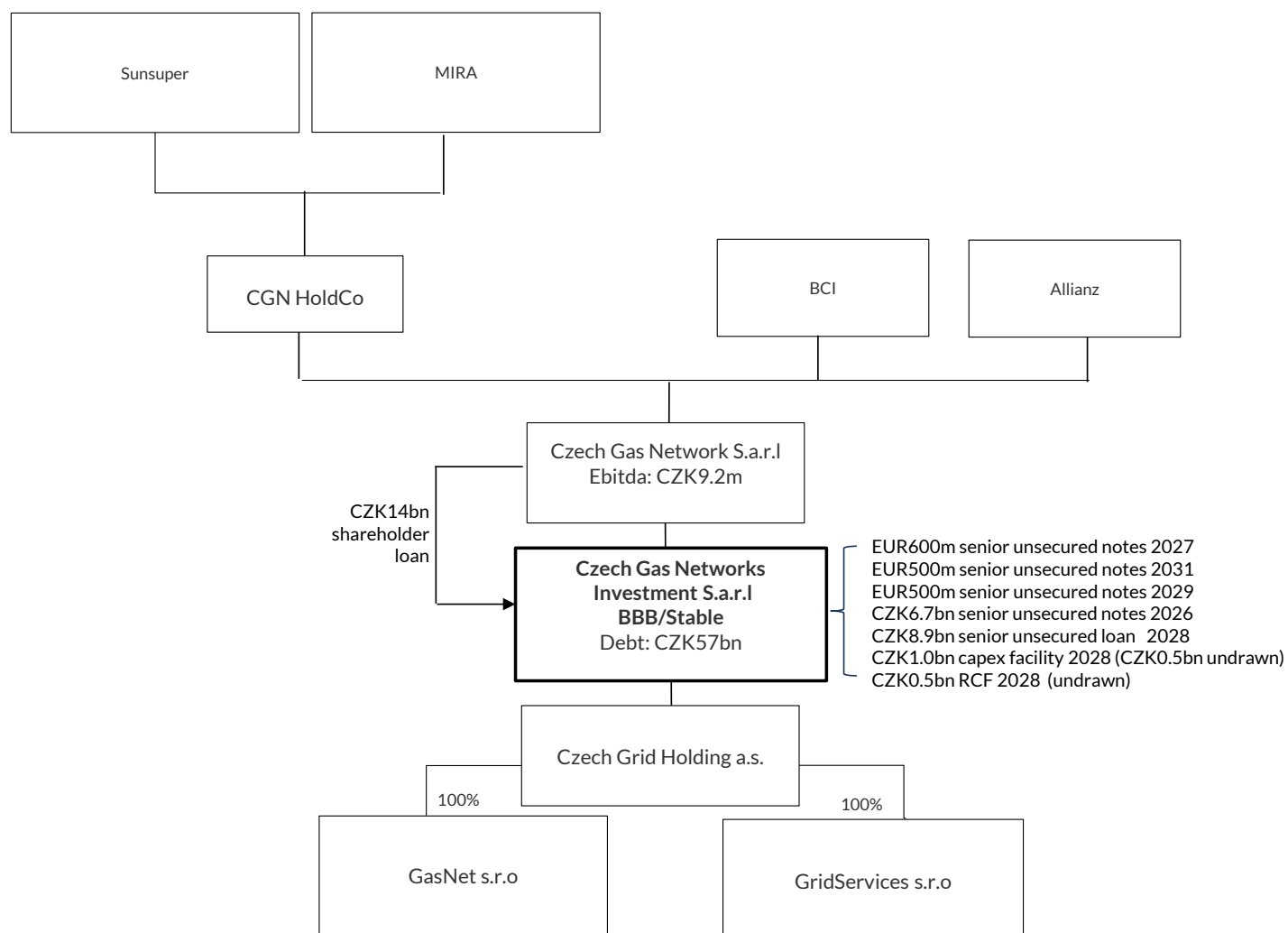


CREDIT-RELEVANT ESG SCALE

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, Czech Gas Networks Investments S.a.r.l., as of December 2022

Peer Financial Summary

	Issuer Default Rating	Financial statement date	EBITDA (EURm)	EBITDA margin (%)	FCF (EURm)	FFO net leverage (x)	FFO interest coverage (x)
Czech Gas Networks Investments S.a r.l	BBB						
	BBB	2022	381	65.7	89	6.5	7.1
	BBB	2021	408	67.9	-520	5.9	9.1
	BBB	2020	339	61.2	5	5.2	7.2
E.ON SE	BBB+						
	BBB+	2022	6,011	5.2	3,528	4.0	6.2
	BBB+	2021	6,454	8.3	-2,330	4.0	7.0
	BBB+	2020	6,944	11.4	-944	5.0	5.4
e-netz Suedhessen AG	BBB+						
	BBB+	2022	61,330	15.2	12,600	2.5	3.7
	BBB+	2021	62,334	16.3	-11,000	3.3	3.3
	BBB	2020	63,439	16.5	-10,514	3.5	3.3
SPP - distribucia, a.s.	A-						
	BBB+	2022	348	74.1	87	1.2	54.6
	A-	2021	340	76.7	162	1.6	20.6
	A-	2020	323	76.7	-60	2.3	19.2
Italgas S.p.A.	BBB+						
	BBB+	2022	1,077	69.2	-379	6.8	16.3
	BBB+	2021	1,009	73.6	-277	6.2	13.5
	BBB+	2020	960	66.6	-292	5.8	17.1

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(CZK as of 31 Dec 2022)	Notes and formulas	Standardised values	Lease treatment	Other adjustments	Adjusted values
Income statement summary					
Revenue		13,981	—	—	13,981
EBITDA	(a)	9,470	-290	—	9,180
Depreciation and amortisation		-6,887	212	—	-6,675
EBIT		2,583	-78	—	2,505
Balance sheet summary					
Debt	(b)	70,999	-2,272	-11,853	56,874
Of which other off-balance-sheet debt		—	—	—	—
Lease-equivalent debt		—	—	—	—
Lease-adjusted debt		70,999	-2,272	-11,853	56,874
Readily available cash and equivalents	(c)	4,040	—	—	4,040
Not readily available cash and equivalents		—	—	—	—
Cash flow summary					
EBITDA	(a)	9,470	-290	—	9,180
Dividends received from associates less dividends paid to minorities	(d)	—	—	—	—
Interest paid	(e)	-1,871	78	647	-1,146
Interest received	(f)	171	—	—	171
Preferred dividends paid	(g)	—	—	—	—
Cash tax paid		-737	—	—	-737
Other items before FFO		-361	—	—	-361
FFO	(h)	6,672	-212	647	7,107
Change in working capital		508	—	—	508
CFO	(i)	7,180	-212	647	7,615
Non-operating/nonrecurring cash flow		—	—	—	—
Capex	(j)	-3,784	—	—	-3,784
Common dividends paid		-1,046	—	-647	-1,693
FCF		2,350	-212	—	2,138
Gross leverage (x)					
FFO leverage	b / (h-e-f-g)	8.5	—	—	7.0
(CFO-capex)/debt (%)	(i+j) / b	4.8	—	—	6.7
Net leverage (x)					
FFO net leverage	(b-c) / (h-e-f-g)	8.0	—	—	6.5
(CFO-capex)/net debt (%)	(i+j) / (b-c)	5.1	—	—	7.3
Coverage (x)					
FFO interest coverage	(h-e-f-g) / (-e-g)	4.5	—	—	7.1

CFO - Cash flow from operations

Notes: 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.

Source: Fitch Ratings, Fitch Solutions, Czech Gas Networks Investments S.a.r.l

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