FitchRatings

Corporates
Utilities - Non US
Luxembourg

Czech Gas Networks Investments S.a r.l.

Ratings

Long-Term IDR	BBB+
Senior Unsecured Debt — Long-Term Rating	A–

Outlook

Long-Term Foreign-Currency IDR	Stable

Click here for the full list of ratings

ESG and Climate

Highest ESG Relevance Scores

Environmental	3
Social	3
Governance	3

2035 Climate Vulnerability Signal: 45

Czech Gas Networks Investments S.a r.l's (CGNI) Long-Term Issuer Default Rating (IDR) was upgraded in March 2025 to 'BBB+' from 'BBB' following the acquisition of a majority stake in CGNI by CEZ, a.s. which has a stronger credit profile, and Fitch Ratings' assessment of 'Medium' strategic and legal incentives for the new parent to support CGNI under Fitch's Parent and Subsidiary Linkage (PSL) Rating Criteria.

CGNI's 'bbb' Standalone Credit Profile (SCP) is supported by its solid business profile as the largest gas distribution network in Czechia under a fairly supportive regulatory framework.

Fitch expects both CEZ and CGNI to maintain their current financial policies. We assume CGNI will manage dividend payouts to keep its funds from operations (FFO) net leverage below the negative rating sensitivity of 6.7x.

Key Rating Drivers

Acquisition by CEZ: CEZ, the largest integrated electricity company in Czechia, completed the acquisition of a 55.21% stake in CGNI from Macquarie Asset Management (MAM) in August 2024. In our view, the transaction has enhanced CGNI's credit profile due to CEZ's stronger credit standing. CEZ is a government-related entity (GRE) as it is 69.8%-owned by the Czech Republic (AA–/Stable).

Stronger Parent Drives IDR Upgrade: CGNI's IDR benefits from the stronger credit profile of its parent, CEZ, under our PSL Criteria. This is based on our assessment of 'Medium' legal incentives due to the consideration of CGNI as CEZ's material subsidiary and the presence of cross-default clauses under CEZ's bond documentation.

Strategic incentives are also assessed as 'Medium', given CGNI's leading position as a gas distribution system operator, the regulated nature of assets, and the key role of gas — and later hydrogen — in the country's and CEZ's energy transition. Operational incentives to support CGNI are 'Low' due to limited synergies and independent management. As a result, CGNI's IDR reflects a one-notch uplift from its SCP.

Solid Business Profile: CGNI's 'bbb' SCP reflects its solid business profile as the owner and operator of the largest gas distribution network in the country. It has an 81% market share, followed by Prazska Plynarenská Distribuce and Gas Distribution s.r.o. Gas distribution in Czechia is fully regulated, which provides cash flow visibility. A well-structured compensation mechanism, including automatic reflection of differences between actual and forecast distribution volumes within two years, provides good cash flow predictability.

Supportive Regulatory Review: The determination of operating principles for the upcoming sixth regulatory period (RP6) covering 2026–2030 is now completed, which confirms the regulator's constructive approach. RP6 allows a higher rate of return, including a bonus weighted average cost of capital (WACC) if certain investments targets are achieved; the introduction of an accelerated depreciation and investment factor to finance increasing capex needs; and a stricter approach on operating expenditure, while maintaining certain incentives to further reduce costs and enhance performance. We expect EBITDA to rise to about CZK13 billion in 2028 from about CZK10 billion in 2024.

Applicable Criteria

Corporate Recovery Ratings and Instrument Ratings Criteria (August 2024)

Parent and Subsidiary Linkage Rating Criteria (June 2023)

Corporate Rating Criteria (December 2024)

Sector Navigators — Addendum to the Corporate Rating Criteria (December 2024)

Government-Related Entities Rating Criteria (July 2024)

Related Research

CEE Energy Networks — Relative Credit Analysis (March 2024)

EMEA Utilities Outlook 2025 (December 2024)

EMEA Gas Networks — Relative Credit Analysis (October 2024)

Analysts

Pilar Auguets
+34 93 467 8747
pilar.auguets@fitchratings.com

Maria Linares
+34 93 492 9512
maria.linares@fitchratings.com

Unchanged Financial Policy: CGNI's financial policy remains unchanged despite the change in ownership. Management have confirmed their intention to leverage targets that align with current rating sensitivities. Its updated business plan confirms a more conservative capital structure, versus a dividend-maximisation policy in the past, leaving some headroom to the negative rating sensitivity of 6.7x.

CEZ's Credit Profile: We believe CEZ, as an investor in the energy sector, is committed to safeguarding the overall CEZ group credit profile. CEZ has a financial policy targeting EBITDA net leverage below 3.5x (1.5x reported for 2024) for the CEZ group, which is reflected in the IDR of CGNI.

Capex Update: CGNI's investment strategy for 2025–2030 earmarks a total capex of CZK41 billion. About CZK37 billion will be directed towards essential regulated capex, with an additional CZK1.4 billion for IT and other investments. Unregulated capex totals CZK1.9 billion, primarily related to LNG stations, a liquefaction plant and hydrogen production. Contribution from non-regulated activities to EBITDA is expected to remain modest up to 2028, at only 1%–3%.

Upcoming Refinancing: CGNI is set to undergo a refinancing process for its existing debt, with a CZK6.7 billion bond maturing in July 2026 and a EUR600 million bond in July 2027. The company plans to secure additional credit lines to support liquidity and its financial structure, in anticipation of upcoming debt maturities.

Senior Unsecured Rating Uplift: Under our methodology, CGNI's senior unsecured rating benefits from a one-notch uplift from the IDR, due to the dominant contribution of regulated activities to EBITDA in a regulatory framework that we deem reliable.

Key Role of Gas: The Czech gas market has shown stable gas consumption, with yearly fluctuations mostly driven by temperature changes. A carbon-heavy energy mix and a supportive government position towards decarbonisation underpin the positive outlook for gas consumption in the short-to-medium term. We already see evidence of district heating shifting from coal towards gas, manifested in the increase of gas consumption in the distribution area of the company. The transformation is supported by government subsidy programmes.

Financial Summary

(CZKm)	2023	2024E	2025F	2026F	2027F	2028F
EBITDA	7,560.0	10,083.1	10,498.3	11,879.2	12,433.3	13,291.8
EBITDA margin (%)	57.9	55.8	56.0	59.1	59.6	59.0
FFO	5,627.0	8,391.3	8,143.3	8,426.0	8,605.5	8,899.9
FFO interest coverage (x)	4.7	8.0	6.4	4.6	4.1	3.7
FFO net leverage (x)	7.9	5.7	6.0	6.1	6.2	6.2

Source: Fitch Ratings, Fitch Solutions

Peer Analysis

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 from CGNI's SCP is primarily driven by its more conservative capital structure. 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 is mitigated by its unique diversification and size.

CGNI's business risk is higher than that of the Italian distribution system operator 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 view CGNI's business profile as more defensive than that of central and eastern European peer, SPP - distribucia, a.s. (SPPD; A–/Stable; SCP: 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 funds from operations (FFO) net leverage of around 2.2x forecast in 2025–2028, mostly explains the SCP differential. SPPD's IDR is capped at one notch above the consolidated credit profile of its immediate parent, SPP Infrastructure, a.s., 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	Financial Structure	Financial Flexibility
Czech Gas Networks Investments S.a r.l.	BBB+/Stable	a+	bbb	a-	bbb+	bbb+	a	bbb	bb+	bbb+
Enagas S.A.	BBB+/Stable	a-	bbb+	bbb	bbb	bbb+	a-	bbb	bbb+	a-
Italgas S.p.A.	BBB+/Stable	a-	a-	a-	a-	bbb+	a	bbb	bbb-	bbb-
National Gas Transmission Plc	BBB+/Stable	aa-	a-	a	a	bbb+	a	bbb	bbb	bbb
Snam S.p.A.	BBB+/Stable	a-	a	a	a-	bbb+	a	bbb	bbb	a-

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	Financial Structure	Financial Flexibility
Czech Gas Networks Investments S.a r.l.	BBB+/Stable	+3	-1	+1	0	0	+2	-1	-3	0
Enagas S.A.	BBB+/Stable	+1	0	-1	-1	0	+1	-1	0	+1
Italgas S.p.A.	BBB+/Stable	+1	+1	+1	+1	0	+2	-1	-2	-2
National Gas Transmission Plc	BBB+/Stable	+4	+1	+2	+2	0	+2	-1	-1	-1
Snam S.p.A.	BBB+/Stable	+1	+2	+2	+1	0	+2	-1	-1	+1

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 Negative Rating Action/Downgrade

- Weaker links with CEZ or a deterioration of CEZ's creditworthiness
- A weakening business risk profile, as a consequence of a less predictable regulatory framework
- We could revise the SCP downwards if FFO net leverage rises above 6.7x or if FFO interest coverage fall below 3.5x over an extended period

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

- An upgrade of the IDR would require a higher SCP and a commensurate improvement of CEZ's creditworthiness, with unchanged links between CGNI and CEZ
- We could revise the SCP upwards if FFO net leverage falls below 6.0x on a sustained basis

Liquidity and Debt Structure

At end-2024, CGNI had CZK2.2 billion of cash on its balance sheet, undrawn capex facility and revolving credit facility (RCF) of CZK200 million and CZK500 million respectively. The company does not have any substantial debt maturity in 2025 but aims to secure additional lines for the refinancing of its upcoming maturity in July 2026. We expect the company to generate positive pre-dividend free cash flow (FCF) to 2028.

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

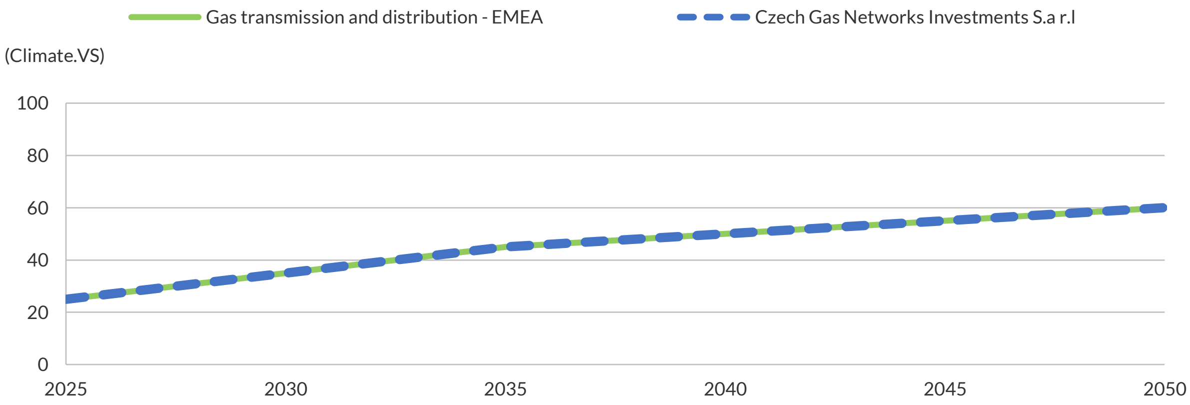
Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify sectors and Fitch-rated issuers that are potentially most exposed to credit-relevant climate transition risks and, therefore, require additional consideration of these risks in rating reviews. Climate.VS range from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

The 2023 revenue-weighted Climate.VS for CGNI for 2035 is 45 out of 100, suggesting material exposure to climate-related risks in that year.

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, 2024



Source: Fitch Ratings

Liquidity and Debt Maturities

Liquidity Analysis

(CZKm)	2025F	2026F	2027F	2028F
Available liquidity				
Beginning cash balance	2,203	-520	-15,105	-34,395
Rating case FCF after acquisitions and divestitures	-2,723	-7,841	-4,443	-5,371
Total available liquidity (A)	-520	-8,361	-19,547	-39,766
Liquidity uses				
Debt maturities	–	-6,744	-14,848	-9,697
Total liquidity uses (B)	**–**	**-6,744**	**-14,848**	**-9,697**
Liquidity calculation				
Ending cash balance (A+B)	-520	-15,105	-34,395	-49,463
Revolver availability	700	700	700	–
Ending liquidity	**180**	**-14,405**	**-33,695**	**-49,463**
Liquidity score (x)	Not meaningful	-1.1	-1.3	-4.1

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

Scheduled Debt Maturities

(CZKm)	31 Dec 2024
2025	–
2026	6,744
2027	14,848
2028	9,697
Thereafter	25,961
Total	57,250

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

Key Assumptions

Fitch's Key Assumptions within our Rating Case for the Issuer

- Revenue for 2025 based on the current RP5 regulatory principles and from 2026 onwards on approved RP6 rules
- RP5 WACC at 6.52% due to tax rate increase. Base WACC for new RP6 at 6.9% and 1.5% WACC bonus on capex targets, allowing the company to recover increases in the cost of capital
- Annual EBITDA to increase to about CZK13 billion in 2028 from about CZK10 billion in 2024
- Average annual capex of CZK5.8 billion in 2025–2028
- Average dividends at about CZK7.5 billion a year for 2025–2028

Financial Data

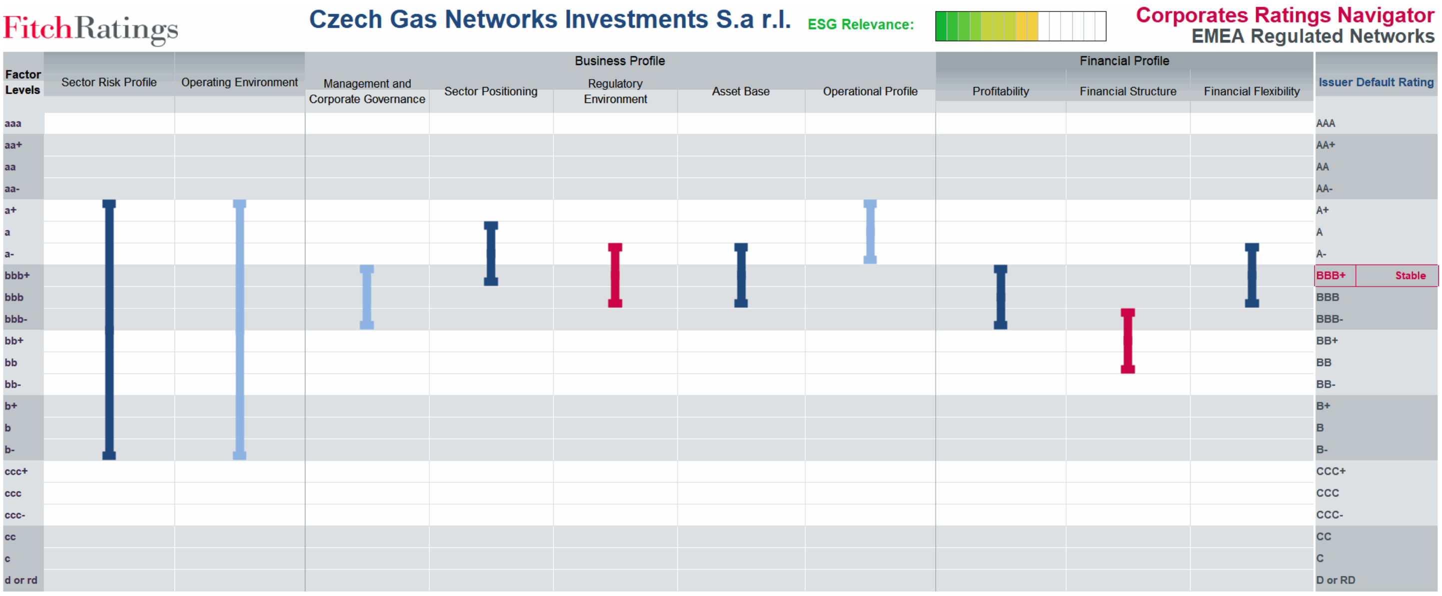
(CZKm)	2023	2024E	2025F	2026F	2027F	2028F
Summary income statement						
Gross revenue	13,047	18,067	18,753	20,112	20,867	22,519
Revenue growth (%)	-6.7	38.5	3.8	7.2	3.8	7.9
EBITDA before income from associates	7,560	10,083	10,498	11,879	12,433	13,292
EBITDA margin (%)	57.9	55.8	56.0	59.1	59.6	59.0
EBITDA after associates and minorities	7,560	10,083	10,498	11,879	12,433	13,292
EBIT	951	5,876	6,228	7,630	8,115	8,884
EBIT margin (%)	7.3	32.5	33.2	37.9	38.9	39.4
Gross interest expense	-2,306	-1,202	-1,499	-2,328	-2,769	-3,270
Pretax income including associate income/loss	-2,937	4,738	4,792	5,364	5,409	5,677
Summary balance sheet						
Readily available cash and equivalents	1,194	2,203	2,026	1,882	1,716	1,005
Debt	56,250	57,250	59,795	67,492	71,769	76,429
Net debt	55,056	55,047	57,769	65,610	70,053	75,424
Summary cash flow statement						
EBITDA	7,560	10,083	10,498	11,879	12,433	13,292
Cash interest paid	-1,491	-1,202	-1,499	-2,328	-2,769	-3,270
Cash tax	-405	-521	-899	-1,057	-1,055	-1,114
Dividends received less dividends paid to minorities (inflow/outflow)	—	—	—	—	—	—
Other items before FFO	-179	31	42	-68	-4	-8
FFO	5,627	8,391	8,143	8,426	8,606	8,900
FFO margin (%)	43.1	46.4	43.4	41.9	41.2	39.5
Change in working capital	-127	-59	-37	36	-17	-330
CFFO (Fitch-defined)	5,500	8,332	8,107	8,462	8,589	8,570
Total non-operating/nonrecurring cash flow	—	—	—	—	—	—
Capex	-4,477	—	—	—	—	—
Capital intensity (capex/revenue) (%)	34.3	—	—	—	—	—
Common dividends	-3,463	—	—	—	—	—
FCF	-2,440	—	—	—	—	—
FCF margin (%)	-18.7	—	—	—	—	—
Net acquisitions and divestitures	21	—	—	—	—	—
Other investing and financing cash flow items	-28	—	—	—	—	—
Net debt proceeds	-500	1,000	2,545	7,697	4,277	4,660
Net equity proceeds	—	—	—	—	—	—
Total change in cash	-2,947	1,009	-177	-144	-166	-711
Calculations for forecast publication						
Capex, dividends, acquisitions and other items before FCF	-7,919	-8,323	-10,829	-16,303	-13,031	-13,942
FCF after acquisitions and divestitures	-2,419	9	-2,723	-7,841	-4,443	-5,371
FCF margin after net acquisitions (%)	-18.5	—	-14.5	-39.0	-21.3	-23.9
Gross leverage ratios (x)						
EBITDA leverage	7.4	5.7	5.7	5.7	5.8	5.8
(CFFO-capex)/debt	1.8	6.2	5.1	3.7	3.4	2.4
Net leverage ratios (x)						
EBITDA net leverage	7.3	5.5	5.5	5.5	5.6	5.7
(CFFO-capex)/net debt	1.9	6.4	5.3	3.8	3.4	2.4
Coverage ratios (x)						
EBITDA interest coverage	5.1	8.4	7.0	5.1	4.5	4.1

CFFO – 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

Czech Gas Networks Investments S.a r.l.

Corporates Ratings Navigator
EMEA Regulated Networks

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+			

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+			

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			

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	bbb	Less demanding licensing and ring-fencing provisions; moderate concession renewal risk.
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-			

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).
bbb+	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-			

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+			

Profitability

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	bbb	Investment cycle position and dividend policy contributing to negative free cash flow. Moderate flexibility in smoothing capex plans.
bbb-			
bb+			

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 PMICR		
bb-	Nominal PMICR		

Financial Flexibility

a	Financial Discipline	bbb	Financial policies less conservative than peers but generally applied consistently.
a-	Liquidity	a	No need for external funding beyond committed facilities in the next 12 months even under a severe stress scenario. Well-spread maturities. Diversified funding.
bbb+	FFO Interest Coverage	a	4.5x
bbb	FX Exposure	a	Profitability potentially exposed to FX but efficient hedging. Debt and cash flow well matched.
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.

Credit-Relevant ESG Derivation

Czech Gas Networks Investments S.a r.l. has 13 ESG potential rating drivers

- Emissions from operations
- Energy and fuel use in operations; entities' financial targets for losses/shrinkage
- Water usage in operations; water utilities' financial targets for water quality, leakage and usage
- Impact of waste including pollution incidents; discharge compliance; sludge disposal
- 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)
- Product affordability and access

Showing top 6 issues

			Overall ESG
key driver	0	issues	5
driver	0	issues	4
potential driver	13	issues	3
not a rating driver	1	issues	2
	0	issues	1

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

FitchRatings

Czech Gas Networks Investments S.a r.l.

Corporates Ratings Navigator
EMEA Regulated Networks

Credit-Relevant ESG Derivation

Czech Gas Networks Investments S.a r.l. has 13 ESG potential rating drivers

- Czech Gas Networks Investments S.a r.l. has exposure to emissions regulatory risk but this has very low impact on the rating.
- Czech Gas Networks Investments S.a r.l. has exposure to energy regulatory risk but this has very low impact on the rating.
- Czech Gas Networks Investments S.a r.l. has exposure to water management risk but this has very low impact on the rating.
- Czech Gas Networks Investments S.a r.l. has exposure to waste & impact management risk but this has very low impact on the rating.
- 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.

Showing top 6 issues

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	13	issues	3
not a rating driver	1	issues	2
	0	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	3	Emissions from operations	Profitability and Cash Flow
Energy Management	3	Energy and fuel use in operations; entities' financial targets for losses/shrinkage	Profitability and Cash Flow
Water & Wastewater Management	3	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	3	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

E Relevance
5
4
3
2
1

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; 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

S Relevance
5
4
3
2
1

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

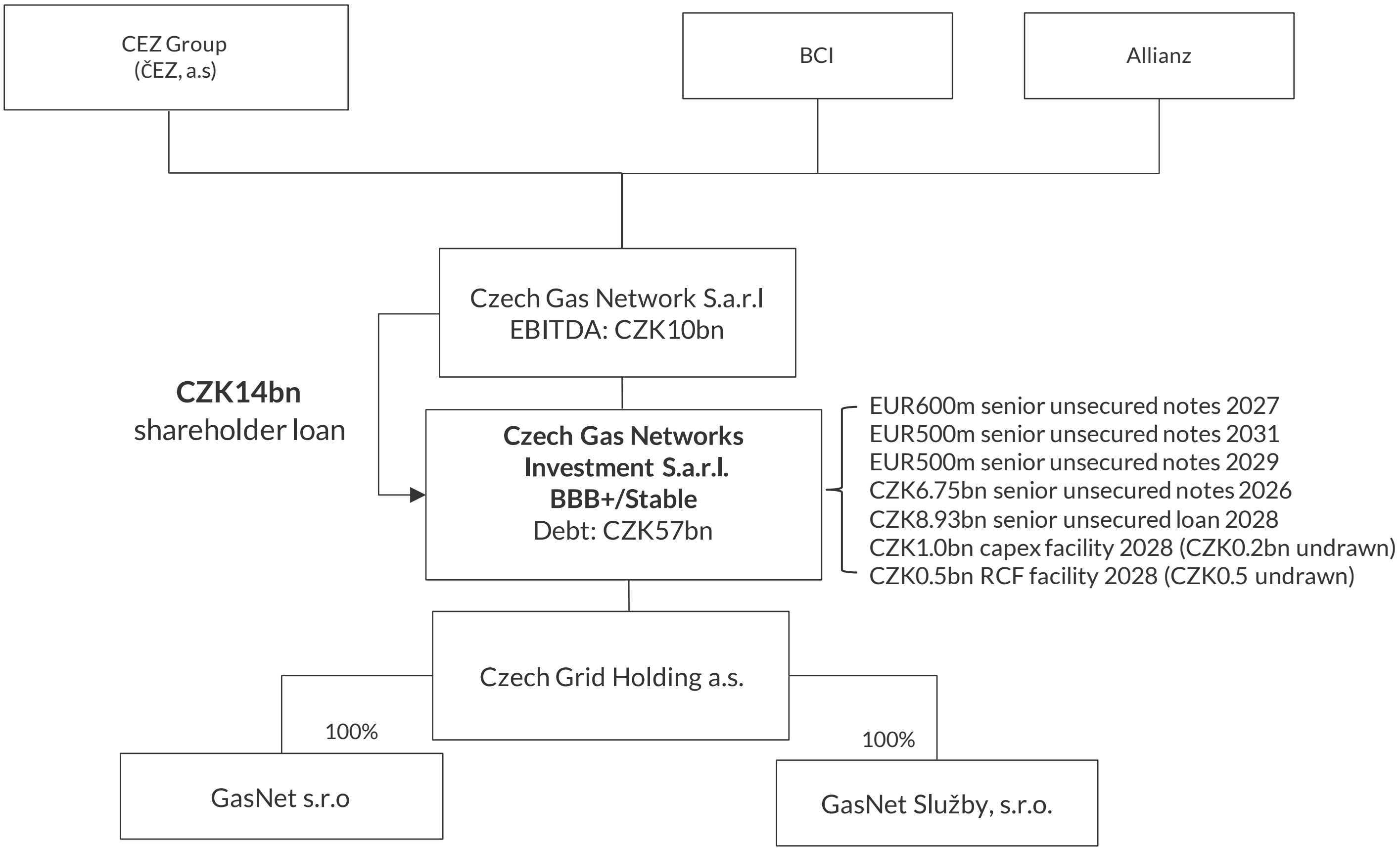
G Relevance
5
4
3
2
1

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



As of December 2024
Source: Fitch Ratings, Fitch Solutions, Czech Gas Networks Investments S.a.r.l.

Peer Financial Summary

Company	Issuer Default Rating	Financial statement date	EBITDA (EURm)	EBITDA margin (%)	FCF margin (%)	FFO net leverage (x)	FFO interest coverage (x)
Czech Gas Networks Investments S.a r.l.	BBB+						
	BBB	2023	308	57.9	-18.7	7.9	4.7
	BBB	2022	381	65.7	15.3	6.3	6.0
	BBB	2021	408	67.9	-86.6	5.9	9.1
Amprion GmbH	BBB+						
	BBB+	2023	764	7.7	-15.2	4.9	8.7
	BBB+	2022	652	11.6	-21.1	5.4	8.4
	BBB+	2021	601	14.5	-19.4	3.9	11.5
REN - Redes Energeticas Nacionais, SGPS, S.A.	BBB						
	BBB	2023	504	77.3	-106.3	5.5	7.6
	BBB	2022	477	81.1	55.4	5.2	9.7
	BBB	2021	454	80.3	77.6	6.1	9.7
E.ON SE	BBB+						
	BBB+	2024	8,295	10.4	-4.2	4.5	6.4
	BBB+	2023	8,273	8.8	-2.5	3.0	8.4
	BBB+	2022	6,011	5.2	3.1	4.0	6.2
Italgas S.p.A.	BBB+						
	BBB+	2023	1,178	64.8	-12.8	5.9	11.7
	BBB+	2022	1,077	69.2	-24.4	6.8	16.3
	BBB+	2021	1,009	73.6	-20.2	6.2	13.5
Snam S.p.A.	BBB+						
	BBB+	2023	2,183	50.9	-48.0	5.9	10.6
	BBB+	2022	2,187	62.2	65.8	6.2	14.8
	BBB+	2021	2,237	67.8	-11.9	6.9	17.4
Enagas S.A.	BBB+						
	BBB	2023	545	59.2	13.5	5.4	6.8
	BBB	2022	558	57.5	29.0	5.4	10.2
	BBB+	2021	645	65.0	20.0	5.5	9.6
National Gas Transmission Plc	BBB+						
	BBB+	2023	957	43.8	-0.7	5.0	8.6
	BBB+	2022	868	53.4	20.5	5.1	7.7
	BBB+	2021	796	60.4	20.1	6.6	7.2

Source: Fitch Ratings, Fitch Solutions

Fitch Adjusted Financials

(CZKm as of 31 Dec 2023)	Standardised values	Lease treatment	Other adjustments	Adjusted values
Income statement summary				
Revenue	13,047	—	—	13,047
EBITDA	7,660	-301	201	7,560
Depreciation and amortisation	-6,826	217	—	-6,609
EBIT	834	-84	201	951
Balance sheet summary				
Debt	69,191	—	-12,941	56,250
Of which other off-balance-sheet debt	—	—	—	—
Lease-equivalent debt	—	—	—	—
Lease-adjusted debt	69,191	—	-12,941	56,250
Readily available cash and equivalents	1,194	—	—	1,194
Not readily available cash and equivalents	—	—	—	—
Cash flow summary				
EBITDA	7,660	-301	201	7,560
Dividends received from associates less dividends paid to minorities	—	—	—	—
Interest paid	-2,422	84	847	-1,491
Interest received	142	—	—	142
Preferred dividends paid	—	—	—	—
Cash tax paid	-405	—	—	-405
Other items before FFO	224	—	-403	-179
FFO	5,199	-217	645	5,627
Change in working capital	-127	—	—	-127
CFFO	5,072	-217	645	5,500
Non-operating/nonrecurring cash flow	—	—	—	—
Capex	-4,477	—	—	-4,477
Common dividends paid	-2,717	—	-746	-3,463
FCF	-2,122	-217	-101	-2,440
Gross leverage (x)				
EBITDA leverage	9.0	—	—	7.4
(CFFO-capex)/debt (%)	0.9	—	—	1.8
Net leverage (x)				
EBITDA net leverage	8.9	—	—	7.3
(CFFO-capex)/net debt (%)	0.9	—	—	1.9
Coverage (x)				
EBITDA interest coverage	3.2	—	—	5.1

CFFO — 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 CZK2,444 million.
Source: Fitch Ratings, Fitch Solutions, Czech Gas Networks Investments S.a r.l.

Parent Subsidiary Linkage Analysis

Key Risk Factors and Notching Approach

Parent	CEZ a,s.
Parent LT IDR	Parent IDR is private
Subsidiary	Czech Gas Networks Investments S.a r.l.
Subsidiary LT IDR	BBB+
Path	Stronger Parent
Legal incentive	Medium
Strategic incentive	Medium
Operational incentive	Low

LT IDR — Long-Term Issuer Default Rating
Source: Fitch Ratings

Stronger Parent Notching Matrix

Strategic incentives and operational	Both low	One medium, one low	Both medium or one high, one low	One strong, one medium	Both high
With low legal incentive	Standalone	BU+1[a]	BU+2[a]	TD-1[b]	Equalised
With medium legal incentive	BU+1[a]	BU+2[a]	TD-1[b]	Equalised	Equalised
With high legal incentive	Equalised	Equalised	Equalised	Equalised	Equalised

[a] BU rating outcomes are capped at TD-1 where the subsidiary's SCP is more than one notch away from the consolidated profile, but the subsidiary's rating will be equalised where the subsidiary's SCP is one notch below the consolidated profile.
[b]TD-1 rating outcomes will be equalised where the subsidiary's SCP is one notch below the consolidated profile.
BU — Bottom-up, notched from the lower Standalone Credit Profile (SCP).
TD — Top-down, notched from the consolidated profile.
Source: Fitch Ratings

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