S&P Global
Ratings

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CEZ a.s.

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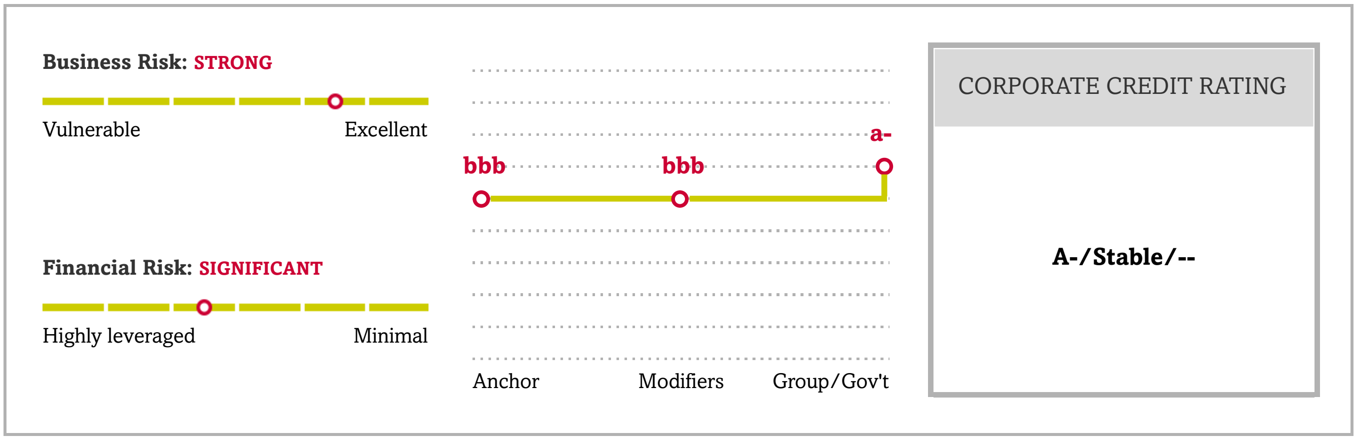
CEZ a.s.



Rationale

Business Risk: Strong	Financial Risk: Significant
• Unrivaled position in the Czech Republic stemming from a vertical integration in the national power market. • Relatively diversified and low-cost generation fleet, benefiting from CEZ's ability to generate power from nuclear sources in the Czech Republic. • Persistent and large exposure to competitive power markets and volatile wholesale power prices, along with carbon prices. • Sizable contribution of stable cash flows from domestic regulated activities through the ownership of the largest Czech distribution network. • Moderately high likelihood of extraordinary support from the Czech government.	• Large portion of future sales hedged at below market prices, limiting any significant upside potential for credit metrics over the next two years. • Large and regularly increasing dividend payout ratio leading to only marginally positive future discretionary cash flows. • Substantial cash balance and good access to credit markets supporting liquidity.

Outlook: Stable

S&P Global Ratings' stable outlook on CEZ a.s. reflects our view that the Czech Republic-based utility company will be able to maintain its strong market position in the Czech Republic and maintain adequate credit metrics, despite earnings pressure in the current weak market environment. We consider a ratio of S&P Global Ratings-adjusted funds from operations (FFO) to debt above 25% and positive discretionary cash flows as being commensurate with CEZ's current stand-alone credit profile (SACP) of 'bbb'. Our stable outlook also reflects our unchanged view of a moderately high likelihood of extraordinary support from the Czech Republic.

Downside scenario

We could lower the ratings on CEZ if its SACP falls by one notch or more. This could stem from:

- Much weaker power prices and electricity generation spreads than we currently anticipate, or the Czech government unexpectedly not granting free carbon dioxide (CO_2) allowances, eventually leading to an adjusted FFO-to-debt ratio for CEZ falling below 25% for a prolonged period.
- Signs of increased political risk--for example, policies that aim to extract cash from power utilities in the Czech Republic, either through increased dividends or windfall taxes--having adverse implications for CEZ's financial metrics and leading, for instance, to a negative discretionary cash flow (DCF)-to-debt ratio.

Increased political uncertainty and evidence of negative government intervention could also undermine our current assessment of the likelihood of extraordinary support to CEZ from the Czech government, which could prompt us to lower the ratings on CEZ.

We could also lower the ratings on CEZ if the local currency rating on the Czech Republic is lowered.

Upside scenario

We see upside potential for the ratings as currently limited, because it would require a substantial improvement in CEZ's SACP by two notches, a higher assessment of the likelihood of extraordinary support to CEZ from the Czech government, or an upgrade of the sovereign.

Our Base-Case Scenario

Recent developments

The Czech Energy Regulatory Office has proposed to extend the current three-year regulatory period by two years up to 2020. We understand that, after going through a public consultation process, the final decision is expected by the end of January 2018 at the latest, and we have not yet factored it into our base case (although we are not ruling out the likelihood of its implementation). This would lead to the postponement of the risk of regulatory reset in the Czech Republic to 2020 instead of 2018, and align the length of the regulatory period with most other supportive regulatory frameworks. Czech regulated activities accounted for close to 30% of the group's EBITDA in 2016.

Talks are ongoing between CEZ and the Czech government-run Standing Committee for Nuclear Energy regarding the development of a new nuclear project. We understand that the decision regarding the selection of the financial model for this project will be announced in 2018 and the final investment decision and potential commencement of construction is expected to take place around 2028. Three alternatives are being investigated at present:

- A development of the project by CEZ;
- A development of the project and its full acquisition by the state; or
- A development of the project and the acquisition of CEZ's existing nuclear capacity by the state.

In our view, this decision will be particularly sensitive to the outcome of the recent Czech parliamentary elections and the resulting constitution of the government, since project funding is likely to require some support mechanism (such as state guarantees). Considering the significant level of uncertainty surrounding the final investment decision, we have not factored it into our current base case.

Assumptions

In our base case, we assume:

- Moderate growth in electricity consumption in the Czech Republic;
- Czech power prices and CO2 assumptions to continue to be linked to the German power market. Relatively stable forward power prices, remaining above €35 per megawatt hour (MWh) for the next two to three years. However, actual power prices are not applied to hedged output;
- No significant changes to CO2 allowance price (which averaged 7.3 euro/ton in December 2017);
- No significant changes to regulatory framework for distribution companies, although current regulatory period to end in 2018;
- Profit margins strengthening in the long run, due to CEZ's increasing ability to produce electricity from more cost-efficient sources (nuclear and renewables), and a likely recovery of power prices (current forward prices are around €35 per MWh);
- Due to lack of investment projects, we forecast slightly positive discretionary cash flows, which are used for debt repayment;
- Capital expenditures (capex) to remain at about Czech koruna (CZK) 33 billion yearly;
- No material mergers and acquisitions transactions; and
- Dividend payout ratio not to exceed 100%.

Key Metrics

	2016A	**2017E**	**2018E**
EBITDA margin (%)	31.9	26-29	25-29
FFO to debt (%)	28.4	25-28	25-29
Debt to EBITDA (x)	2.9	2.9-3.4	2.9-3.5
DCF to debt (%)	(3.4)	0-5	0-5

FFO--Funds from operations. DCF--Discretionary cash flow. A--Actual. E--Estimate.

Company Description

CEZ a.s. is an integrated energy company with a presence in a wide range of electricity-related businesses: generation, distribution, supply, mining, and energy trading. The utility benefits from an unrivaled position in the Czech electricity market and a small presence in Central and Eastern European countries, mainly in Romania, Bulgaria, and Poland.

CEZ has a market share of about 68% of the generation segment in the Czech Republic, with a total capacity in 2016 of 15.72 gigawatts (GW) (out of which 13.05GW is located in the Czech Republic) and a total production of 61.1 terawatt hours (TWh) (out of which 56.9 TWh was generated in the Czech Republic). The generation mix comprises mostly nuclear and lignite (82%), with the latter being supported by its ownership of the Czech Republic's largest mining company, providing 68% of CEZ's lignite needs. The utility also has an overall market share of 32% in the competitive Czech supply market and supplied 19.6 TWh of electricity to its end customers in 2016.

CEZ controls about 65% of the Czech Republic's electricity distribution, owning the largest distribution company in the Czech Republic. Regulated operations in the Czech Republic contributed to about 30% of 2016 EBITDA. The largest shareholder of CEZ is the Czech Republic, with a stake of nearly 70% in the company's share capital and voting rights. The remaining 30% is publicly listed.

For fiscal year 2016, CEZ reported an EBITDA of CZK58.1 billion compared with CZK65.1 billion in 2015 (see charts 1 and 2 below).

Chart 1

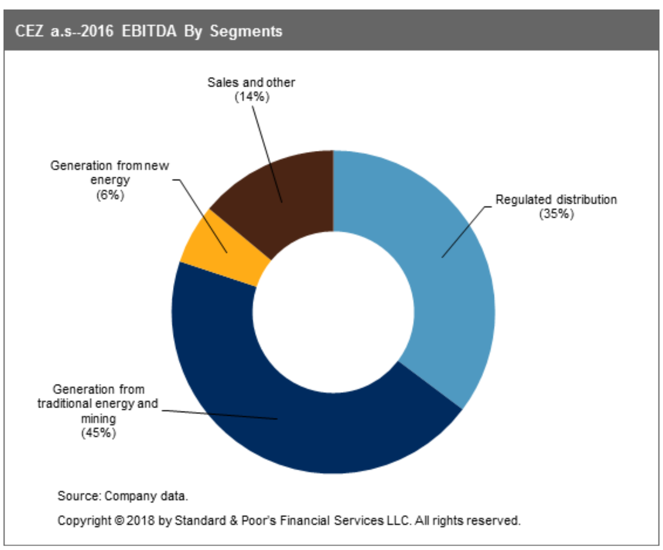
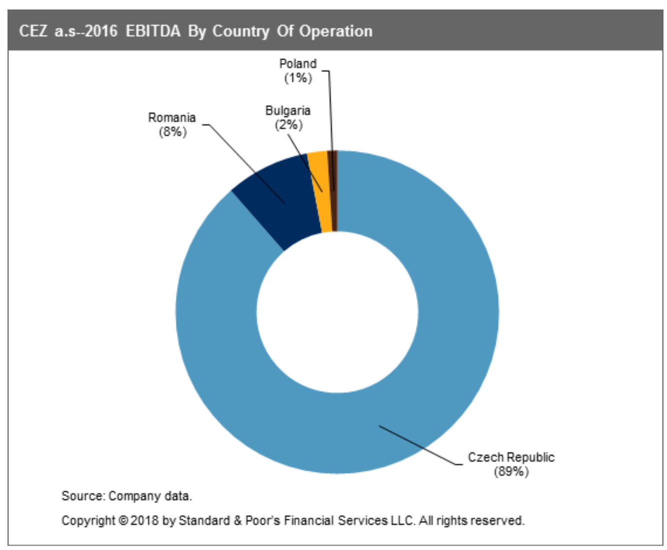


Chart 2



Business Risk: Strong

We assess CEZ's business risk profile as strong. Our assessment is underpinned by:

- CEZ's unrivaled position in the Czech power market;

- A large contribution of stable cash flows from regulated activities; and
- A diversified and low-cost electricity generation fleet despite a significant exposure of its unregulated activities to volatile power prices.

Improving power prices are unlikely to prevent the steady deterioration in profit margins over the next two years

CEZ has been negatively affected by the weakening of market fundamentals on the Czech and German energy markets (which we view as deeply integrated) between 2012 and 2016. During these years, power prices declined by close to 60%, leading to a sharp decline in EBITDA from unregulated activities from CZK75.4 billion to CZK37.5 billion over the same period (see charts 3 and 4). Accounting for the lion's share of the group's EBITDA (65% as of 2016), the deterioration of unregulated EBITDA has therefore acted as a drag on CEZ's profit margin, which declined from 41% in 2012 to 32% in 2016. This also highlights the substantial vulnerability of the group to swings in power prices, in our view.

While remaining low by historical standards, we believe that power prices have bottomed out over the course of 2016 owing to, among other factors, the recent increase of coal and CO2 emission prices on European markets (see chart 4). Forward market prices now indicate approximately €35 per MWh over the next two years.

However, we do not expect CEZ will benefit substantially from this uptick in power prices in the near term, and forecast EBITDA will continue to decline in 2017 and 2018. CEZ continues to sell on the Central European power market a sizable portion of its future production at a pre-agreed price, which accounted for 81%, 57%, and 26% of its production for 2018, 2019, and 2020, respectively, as of the end of October 2017. To some extent, this hedging strategy has allowed the group to smooth the pressure of adverse electricity price developments on its cash flows, while bolstering their predictability over the past five years. Nevertheless, we believe that the agreed price at which the group is currently selling its production--averaging €30 per MWh for 2018 and 2019--will be significantly below market prices for the same period, which will weigh on its financial metrics over this period.

Chart 3

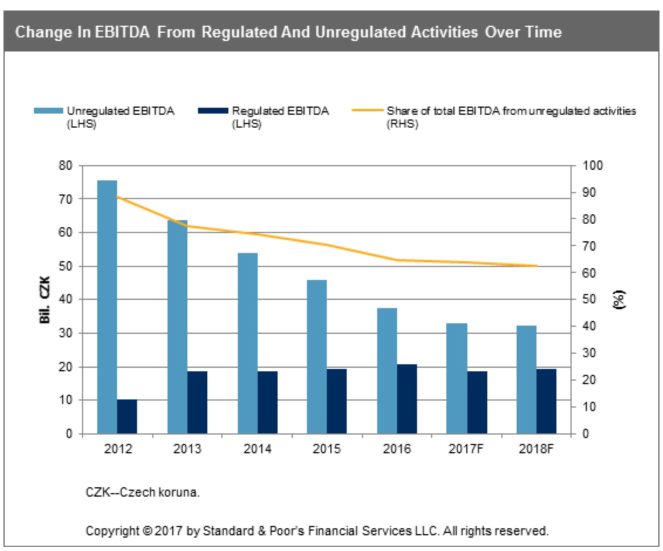
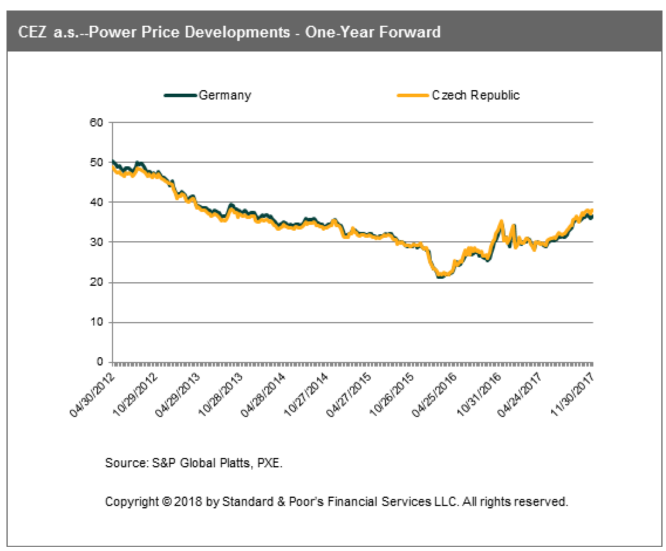


Chart 4

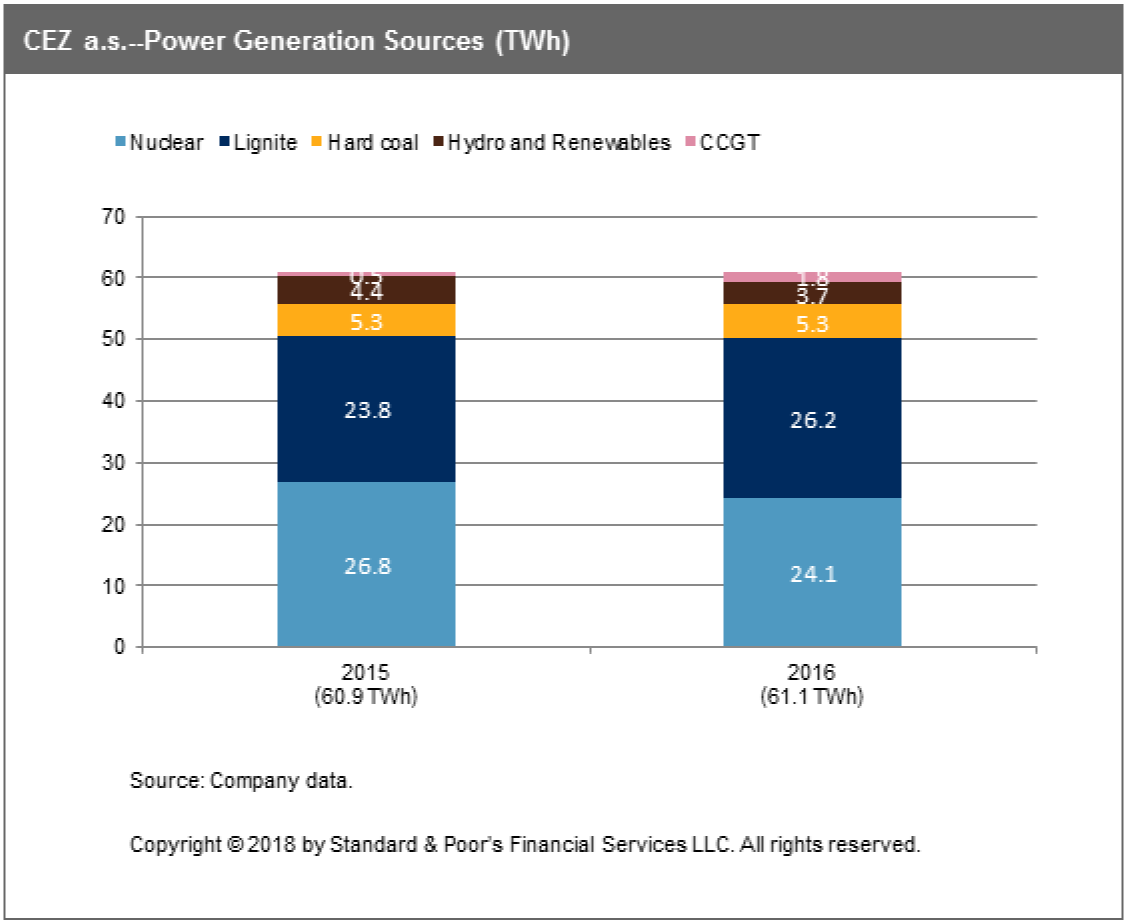


An unrivaled market position, low cost-based generation fleet, and supportive energy policy will nonetheless mitigate CEZ's exposure to low power prices

In our view, CEZ continues to benefit from its unrivaled position in the Czech Republic as a vertically integrated utility with approximately 70% and 30% of domestic market shares for its generation and supply segments, respectively.

In particular, the group benefits from its diverse and relatively fuel- and emission-efficient generation fleet along the load curve, spread across lignite and hard coal, nuclear assets power, hydro and renewables, and combined cycle gas turbines (see chart 5).

Chart 5

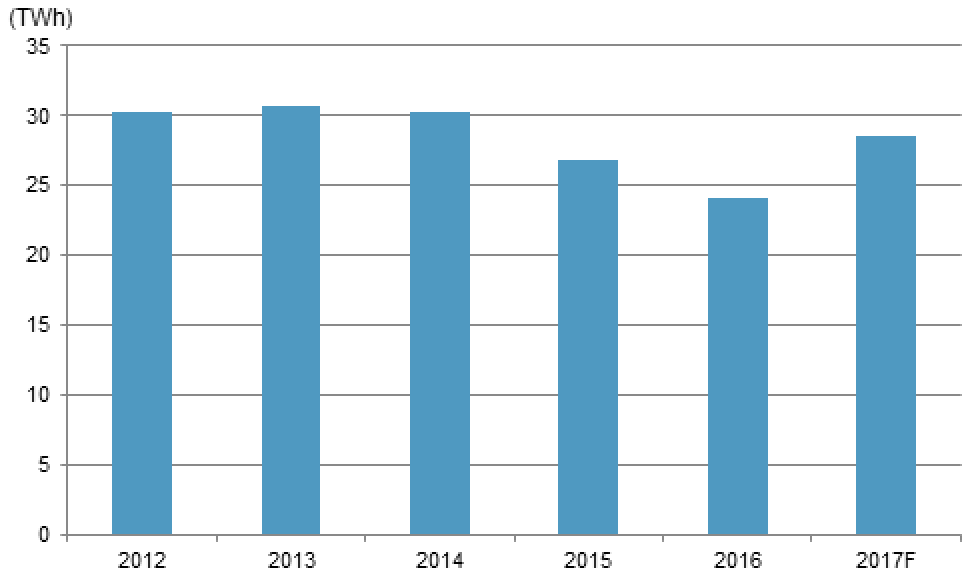


We believe that the group's competitiveness will further increase, as CEZ will gradually tilt its generation fleet toward more cost- and emission-efficient sources such as renewables and nuclear, along with the renewal of its coal generation fleet. In this respect, CEZ has closed some of its old lignite and hard coal units and invested in the renewal of its coal generation fleet--increasing the efficiency of those power plants and matching their lifetime with that of the coal mine supplying the power plant, thereby minimizing the risk of coal supply loss.

CEZ continues to benefit from its ability to generate power from nuclear sources in the Czech Republic with its two relatively new Czech-based Temelin and Dukovany nuclear plants. We believe that pressures on the group's operating performance stemming from unplanned nuclear outages over the past three years--due to prolonged weld checks and license renewals (Dukovany's four licenses were renewed in 2016-2017)--have abated, and we expect a gradual recovery of nuclear generation volumes (see chart 6).

Chart 6

CEZ a.s.--Actual And Planned Nuclear Generation Volumes



Source: Company data.

In our view, the supportive Czech energy policy and nuclear action plan--in place since 2015--further bolster prospects for nuclear generation. One of the main objectives of such policies is to preserve the existing full independence in heat and electricity supply in the Czech Republic and achieve diversification through the development of nuclear energy. The share of nuclear power in the Czech Republic's generation mix is expected to rise from about 35% to about 45%-55% by 2040. Despite a strong market appetite from Czech energy policymakers, the role that CEZ will play in such expansion remains to be seen, in light of the current investigations regarding the investment decision for the new nuclear project in the Czech Republic (see our "Recent developments" section).

CEZ continues to receive part of its CO_2 emission allowances for free, as decided in early 2013 by the European Commission. The group will get the allocation of a total of about 70 million free allowances for electricity production between 2013 and 2020, in exchange for a commitment to make investments of at least the amount of the allocated allowances. We understand that the value of free CO_2 allowances has been invested in the modernization and upgrade of infrastructure and in clean technologies. We believe these allowances will continue to support the ongoing diversification of CEZ's generation fleet, as illustrated by the past investments in its new lignite generation fleet to further increase generation efficiency while reducing CO2 emissions. The gradual expansion of the group toward renewables will further support cost and emission efficiency. In this respect, CEZ acquired operating wind farms in Germany and wind farms in a late development stage in France in 2016 and 2017, respectively.

These investments also illustrate the gradual geographic rebalancing of CEZ's activities toward Western Europe, at the expense of its historical base of Central and Eastern Europe. Recent events such as the divestment of the Bulgarian hard coal-fired thermal power plant Varna and the acquisition of the German energy service company Elevion are good examples of the utility's current strategy.

Having said that, in our view, diversification will take time to bear fruit, and the group's international operations remain primarily located in Central and Eastern European markets, including Bulgaria, Romania, and Poland (see chart 2). We view those countries as having a higher country risk than the Czech Republic (see our latest country risk assessment update on Ratings Direct) and therefore see the current international diversification as a slightly negative element for the group's business risk profile.

A significant contribution of stable cash flows from regulated activities continues to support a strong business risk profile

CEZ derives the rest of its EBITDA (35% in 2016) from its regulated activities, predominantly power distribution networks in the Czech Republic (around 30% of total EBITDA). We assess the Czech regulatory framework as strong, supported by an independent regulator with a relatively established track record, sufficient clarity on key inputs, and good predictability under the three-year regulatory period (2016-2018), which could be extended to 2020 (see our "Recent developments" section). The regulator is also fairly supportive of new investments. This has helped to enhance the stability and predictability of earnings that CEZ derives from its regulated activities, and will support the group's business risk profile overall. We expect CEZ to continue to increase its EBITDA from regulated activities in the coming years on the back of increased capex. This will lead to a gradual increase in the company's regulated asset base.

Remaining regulated network activities are located in Bulgaria and Romania (see table 1) and account for a relatively small portion of CEZ's EBITDA (6% in 2016). Nevertheless, we view this exposure as slightly weakening CEZ's business risk profile, given that we assess the regulatory frameworks in Bulgaria and Romania as less supportive than that in the Czech Republic.

Table 1

CEZ a.s.--Regulated Networks Breakdown

	Czech Republic	Bulgaria	Romania
RAB (CZK billion)	92.75	0.54	2.38
WACC (pretax) (%)	7.95 (nominal)	7.04 (nominal)	7.70 (real)
Current regulatory period	2016-2018*	2015-2018	2014-2018
2016 EBITDA (CZK billion)	17.50	1.30	1.80

*The Czech Energy Regulatory Office has proposed to extend the regulatory period to 2020. CZK--Czech koruna.

Peer comparison

Table 2

CEZ a.s.--Peer Comparison

Industry Sector: Energy					
	CEZ a.s.	**EnBW Energie Baden-Wuerttemberg AG**	**E.ON SE**	**Vattenfall AB**	**Energie AG Oberoesterreich**
Rating as of Jan. 5, 2018	**A-/Stable/--**	**A-/Stable/A-2**	**BBB/Stable/A-2**	**BBB+/Stable/A-2**	**A/Stable/--**
	--Fiscal year ended Dec. 31, 2016--				**--Fiscal year ended Sep. 30, 2016--**
(Mil. €)					
Revenues	7,619.1	19,368.4	38,173.0	14,521.2	1,586.6
EBITDA	2,433.4	1,833.0	4,699.6	3,842.1	303.3
Funds from operations (FFO)	2,026.0	1,707.0	2,948.0	2,875.7	244.8
Net income from cont. oper.	528.5	(1,797.2)	5,392.0	(259.8)	79.9
Cash flow from operations	1,755.0	590.8	2,057.9	3,498.8	251.7
Capital expenditures	1,205.1	1,183.6	2,998.0	2,401.7	146.5
Free operating cash flow	550.0	(592.8)	(940.1)	1,097.1	105.2
Discretionary cash flow	(239.5)	(873.9)	(2,029.1)	971.6	51.3
Cash and short-term investments	1,793.3	3,991.6	7,721.0	4,515.9	214.6
Debt	7,135.8	9,273.9	26,876.1	12,776.5	647.5
Equity	9,671.9	4,211.2	1,287.0	9,741.0	1,126.7
Adjusted ratios					
EBITDA margin (%)	31.9	9.5	12.3	26.5	19.1
Return on capital (%)	6.8	(2.8)	2.6	3.7	8.7
EBITDA interest coverage (x)	9.9	1.3	2.9	5.2	9.0
FFO cash int. cov. (X)	7.2	10.2	4.4	10.0	10.0
Debt/EBITDA (x)	2.9	5.1	5.7	3.3	2.1
FFO/debt (%)	28.4	18.4	11.0	22.5	37.8
Cash flow from operations/debt (%)	24.6	6.4	7.7	27.4	38.9
Free operating cash flow/debt (%)	7.7	(6.4)	(3.5)	8.6	16.2
Discretionary cash flow/debt (%)	(3.4)	(9.4)	(7.5)	7.6	7.9

Financial Risk: Significant

Financial summary

A low power price environment coupled with a higher-than-expected dividend payout ratio have weakened CEZ's credit metrics. We assess CEZ's financial risk profile as significant. We benchmark CEZ's credit metrics, notably our adjusted FFO-to-debt and debt-to-EBITDA ratios, against our standard volatility table.

We base our assessment on our forecast of adjusted FFO to debt, which we estimate will sit in the 25%-29% range by 2018 compared with 35% and 28% in 2015 and 2016 respectively. We project debt to EBITDA to be above 3.0x for the same period, as opposed to 2.3x and 2.9x for prior years.

In addition, CEZ has been significantly increasing its dividend payout ratio over the past five years, reaching around 90% in 2017--against less than 80% in our precedent base case--at the request of its majority shareholder, the Czech government. We have revised our expectations accordingly and now expect the group to post an only slightly positive DCF-to-debt ratio of about 2%, on average, in the next two years. This differs from our previous expectations of around 5%, owing to sizable dividend payments and capex.

Overall, we no longer believe that the utility could sustain an adjusted FFO-to-debt ratio of about 30%. We have therefore revised down its SACP to 'bbb' from 'bbb+' as a result.

That said, the group continues to hold a substantial cash balance and has been deleveraging over the course of 2017, notably with the sale of its stake in Hungarian oil and gas company MOL and the subsequent buyback of almost all of CEZ's 2017 convertible bonds linked to MOL in the first half of 2017.

Relatively limited nonfinancial liabilities stemming from nuclear operations

CEZ's nuclear liabilities have a slight negative impact on our adjusted credit metrics. CEZ has nuclear-asset retirement obligations, which include being responsible for and covering all costs of the interim storage of radioactive waste and spent fuel until final handover to the state, as well as decommissioning activity. The state is mandated to build final storage and keeps a fund for this, into which CEZ pays a regular fee per kilowatt-hour. We treat the reported provision as debt and adjust our FFO metrics accordingly.

Table 3

CEZ a.s.--Financial Summary

Industry Sector: Energy					
	--Fiscal year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Rating history	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**
(Mil. CZK)					
Revenues	205,887.0	210,729.0	205,092.0	222,992.0	213,719.0
EBITDA	65,756.0	73,468.0	78,109.0	90,938.0	86,995.0
Funds from operations (FFO)	54,747.5	59,818.4	63,692.8	73,708.8	69,356.2
Net income from continuing operations	14,281.0	20,739.0	22,403.0	35,885.0	41,429.0
Cash flow from operations	47,425.5	70,337.4	68,260.8	70,251.8	62,608.2
Capital expenditures	32,564.0	28,286.0	31,742.0	42,385.0	49,902.0
Free operating cash flow	14,861.5	42,051.4	36,518.8	27,866.8	12,706.2
Dividends paid	21,333.0	21,313.0	21,320.0	21,336.0	23,995.0
Discretionary cash flow	(6,471.5)	20,738.4	15,198.8	6,530.8	(11,288.8)
Debt	192,829.1	172,248.1	188,408.4	196,343.2	202,103.1

Table 3

CEZ a.s.--Financial Summary (cont.)

Industry Sector: Energy

	--Fiscal year ended Dec. 31--				
	2016	**2015**	**2014**	**2013**	**2012**
Rating history	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**	**A-/Stable/--**
Preferred stock	0.0	0.0	0.0	0.0	0.0
Equity	261,360.0	272,155.0	265,851.0	263,125.0	254,219.0
Debt and equity	454,189.1	444,403.1	454,259.4	459,468.2	456,322.1
Adjusted ratios					
EBITDA margin (%)	31.9	34.9	38.1	40.8	40.7
EBITDA interest coverage (x)	9.9	9.8	8.8	9.8	9.6
FFO cash int. cov. (x)	7.2	10.6	9.4	10.4	10.2
Debt/EBITDA (x)	2.9	2.3	2.4	2.2	2.3
FFO/debt (%)	28.4	34.7	33.8	37.5	34.3
Cash flow from operations/debt (%)	24.6	40.8	36.2	35.8	31.0
Free operating cash flow/debt (%)	7.7	24.4	19.4	14.2	6.3
Discretionary cash flow/debt (%)	(3.4)	12.0	8.1	3.3	(5.6)
Net cash flow / Capex (%)	102.6	136.1	133.5	123.6	90.9
Return on capital (%)	6.8	6.9	8.1	10.9	12.7
Return on common equity (%)	4.3	6.5	7.1	12.7	15.9
Common dividend payout ratio (un-adj.) (%)	149.3	102.7	95.2	59.5	57.9

Liquidity: Adequate

We view CEZ's liquidity position as adequate based on our expectation that available liquidity resources will cover expected cash outflows by more than 1.2x in the next 12 months. We also forecast that liquidity sources will cover uses even if EBITDA declines by 15%.

We believe that CEZ has a solid relationship with its banks, a high standing in the credit markets, and prudent risk management. We also understand that CEZ's credit facilities are free from onerous financial covenants. The company has various committed undrawn lines maturing between 2018 and 2020. Reflecting significant cash and credit facilities, the group should have the ability to absorb, without refinancing, high-impact, low-probability events.

Principal Liquidity Sources	Principal Liquidity Uses
As of Sept. 30, 2017, CEZ had the following liquidity sources: • Unrestricted cash and securities of CZK20.8 billion, according to management data. • Available headroom of about CZK16.8 billion under various committed back-up facilities maturing after 12 months. • FFO of about CZK49 billion.	As of Sept. 30, 2017, CEZ had the following liquidity uses: • Debt maturities of about CZK21.5 billion over the next 12 months. • Annual capex of about CZK31 billion in the next 12 months as per the company's guidance. • Dividend payout ratio of 90%; about CZK17 billion in the next 12 months.

Government Influence

We consider CEZ to be a government-related entity, and believe there is a moderately high likelihood that the Czech government would provide extraordinary support to CEZ in the event of financial distress. Ongoing political uncertainty surrounding the recent formation of the current Czech government, following the latest parliamentary elections in October 2017, does not affect our assessment.

Our assessment is based on CEZ's:

- Important role for the Czech government as both a provider of an essential service and a key player in the implementation of state energy policies. The company produces about 70% of the domestic power output--sufficient to cover domestic consumption requirements--and distributes more than 65% of electricity in the Czech Republic; and
- Strong link with the Czech government, as the latter is actively involved in key strategic decisions through its representation on CEZ's supervisory board. The finance ministry owns about 70% of CEZ, and the remaining shares are publicly held. We anticipate that the state will retain its strategic control over CEZ and remain a supportive shareholder by avoiding negative interventions, such as significantly raising the dividend payout ratio or implementing windfall taxes on power companies.

Ratings Score Snapshot

Corporate Credit Rating

A-/Stable/--

Business risk: Strong

- **Country risk:** Intermediate
- **Industry risk:** Intermediate
- **Competitive position:** Strong

Financial risk: Significant

- **Cash flow/Leverage:** Significant

Anchor: bbb

Modifiers

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

Stand-alone credit profile : bbb

- **Likelihood of government support:** Moderately high (+2 notches from SACP)

Reconciliation

Table 4

Reconciliation Of CEZ a.s. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. CZK)

	--Fiscal year ended Dec. 31, 2016--								
CEZ a.s. reported amounts									
	Debt	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**EBITDA**	**Cash flow from operations**	**Capital expenditures**
Reported	167,816.00	256,812.00	201,641.00	58,206.00	26,114.00	2,762.00	58,206.00	48,953.00	35,553.00
S&P Global Ratings' adjustments									
Interest expense (reported)	--	--	--	--	--	--	(2,762.00)	--	--
Interest income (reported)	--	--	--	--	--	--	303.00	--	--
Current tax expense (reported)	--	--	--	--	--	--	(4,769.00)	--	--
Surplus cash	(14,086.20)	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	2,989.00	(2,989.00)	(2,989.00)	(2,989.00)
Share-based compensation expense	--	--	--	22.00	--	--	22.00	--	--
Asset retirement obligations	36,896.31	--	--	--	--	879.60	(791.52)	1,461.48	--
Non-operating income (expense)	--	--	--	--	(1,696.00)	--	--	--	--
Non-controlling Interest/Minority interest	--	4,548.00	--	--	--	--	--	--	--
Debt - Accrued interest not included in reported debt	2,203.00	--	--	--	--	--	--	--	--
Revenues - Other	--	--	4,246.00	4,246.00	4,246.00	--	4,246.00	--	--

Table 4

Reconciliation Of CEZ a.s. Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. CZK) (cont.)									
EBITDA - Gain/(Loss) on disposals of PP&E	--	--	--	124.00	124.00	--	124.00	--	--
EBITDA - Other	--	--	--	3,158.00	3,158.00	--	3,158.00	--	--
D&A - Impairment charges/(reversals)	--	--	--	--	3,114.00	--	--	--	--
D&A - Other	--	--	--	--	(3,158.00)	--	--	--	--
Total adjustments	25,013.11	4,548.00	4,246.00	7,550.00	5,788.00	3,868.60	(3,458.52)	(1,527.52)	(2,989.00)
S&P Global Ratings' adjusted amounts									
	Debt	**Equity**	**Revenues**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditures**
Adjusted	192,829.11	261,360.00	205,887.00	65,756.00	31,902.00	6,630.60	54,747.48	47,425.48	32,564.00

Related Criteria

- General: Reflecting Subordination Risk In Corporate Issue Ratings, Sept. 21, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Industrials: Key Credit Factors For The Unregulated Power And Gas Industry, March 28, 2014
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General: Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- General: Corporate Methodology, Nov. 19, 2013
- Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Research Update: Czech Utility CEZ a.s. Ratings Affirmed; Outlook Stable; SACP Revised To 'bbb' On Deteriorating Credit Metrics, Nov. 23, 2017
- Country Risk Assessment Update: October 2017, Oct. 31, 2017

Business And Financial Risk Matrix

Business Risk Profile	Financial 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 5, 2018)

CEZ a.s.	
Corporate Credit Rating	A-/Stable/--
Senior Unsecured	A-
Corporate Credit Ratings History	
02-Oct-2006	A-/Stable/--
31-May-2005	BBB+/Positive/--
12-Nov-2003	BBB+/Stable/--

*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.

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