

Tear Sheet:

CEZ a.s.

December 4, 2025

This report does not constitute a rating action.

S&P Global Ratings expects a gradual increase in regulated activities will improve the quality of energy company CEZ's earnings in 2026-2028. After CEZ acquired 55.21% of GasNet in 2024 and Gas Distribution in 2025, its EBITDA from regulated activities will rise by about 20% in 2026 compared to 2024. Most of the growth in this segment will come from power distribution networks, where we expect CEZ will invest at 1.7x the rate of depreciation (1.4x in gas) to take advantage of incentives providing a 1.5% bonus to a nominal, pretax weighted average cost of capital (WACC) of 6.9% over the regulatory period starting 2026. We expect regulated activities will represent over one third of pro rata operating cash flows. Hence we benchmark CEZ against our medial volatility table, and expect funds from operations (FFO) to debt above 20%.

Power generation cash flows will decline in the near term, due to lower power prices and the phase-out of coal capacity, highlighting CEZ's commodity and transition risk exposure. We expect lower load factors at coal capacity due to declining profitability, and CEZ to retire such plants by 2030. We also forecast EBITDA from nuclear generation will roughly halve by 2028 compared to 2025, due to lower realized power prices. But the effect on FFO will likely be gradual, thanks to prudent hedging policies, the end of windfall taxes in 2025, and prices in Czech Republic being €5 per megawatt hour (/MWh) to €8/MWh higher than in Germany. CEZ will also rely on replacing legacy capacity by increasing combined cycle gas turbine (CCGT) plants in the medium term, once a capacity market mechanism provides investment clarity, and nuclear generation in the long term, possibly including small modular reactors (SMRs).

We forecast declining FFO to debt and steady dividends, but we think CEZ can address this trend in view of its financial policy. We interpret CEZ's financial policy as being committed to protecting the 'A-' rating. CEZ aims to keep debt to EBITDA below 3.5x, equivalent to our FFO-to-debt ratio of about 20%. We believe CEZ has sufficient tools to protect its balance sheet, such as by reducing capital expenditure (capex), given narrower returns on new solar capacity amid the current market environment.

In our base case, we assume no changes to CEZ's shareholder structure or to the likelihood of extraordinary support we embed in our rating. Despite recent mentions in the public debate to nationalize CEZ, we assume the government will retain its 70% stake in CEZ, which backs the two notches of uplift for support in our rating. We expect the government will use other means to address the affordability of energy for households and industry, such as subsidies from the state budget.

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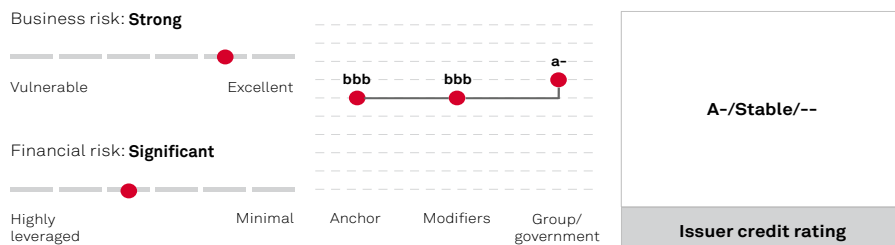
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CEZ has limited room in our rating to absorb further acquisitions or equity investments without remedial measures. Because we expect CEZ's FFO to debt will converge toward 20% in the medium term, we think the group engaging in debt-financed acquisitions, or injecting further equity in projects such as its Rolls Royce SMR participation, which is still an untested technology, could pressure the rating if not accompanied by offsetting measures.

Ratings Score Snapshot



Recent Research

- [Credit FAQ: How S&P Global Ratings Applies Its Project Finance Methodology To Nuclear Power Projects](#), Nov. 26, 2025
- [Credit FAQ: How Europe's Utilities Are Financing The Energy Transition](#), Oct. 13, 2025
- [EMEA Utilities Issuers Ranked Strongest To Weakest](#), July 23, 2025
- [Industry Credit Outlook Update Europe: Utilities](#), July 16, 2025
- [CEZ's 80% Sale Of Elektrárna Dukovany II To Government Considerably Reduces CEZ's New Nuclear Capacity Deployment Risks](#), May 6, 2025
- [CEZ, a. s.](#), April 3, 2025

Company Description

CEZ is an integrated energy company present in a wide range of electricity-related businesses, namely, generation, distribution, supply, mining, and energy trading. CEZ is one of the leading economic entities in the Czech Republic. Furthermore, it operates in Germany, Poland, and Slovakia, as well as in France and Italy.

CEZ benefits from an unrivalled position in the Czech electricity market, with an approximate market share of 66% for its generation segment and 64% for its distribution segment. In 2024, it reported S&P Global Ratings-adjusted EBITDA of Czech koruna (CZK) 141.2 billion (€ 5.8 billion), of which close to 20% corresponded to regulated power and gas grids and the rest mainly to power generation. CEZ's largest shareholder is the Czech Republic, which has a 70% stake in the share capital and voting rights. The remaining 30% is publicly listed.

In August 2024, CEZ finalized its acquisition of a 55.21% stake in GasNet, the biggest gas distributor in Czechia. Additionally, we expect CEZ will acquire Gas Distribution s.r.o. from E.On

through its GasNet subsidiary, and that the transaction will close early in 2026. We expect these two acquisitions will help increase CEZ's regulated EBITDA to more than one-third of total EBITDA by 2026.

Outlook

The stable outlook indicates our view that CEZ's FFO to debt will converge to about 20% over the next two years, thanks to still-supportive power prices and the consolidation of recently acquired gas distribution activities in Czechia, consolidated at GasNet. Our base case also accounts for capex increasing in 2026 and 2027, and the rising contribution of regulated activities to more than one-third of EBITDA by 2026. Under these assumptions, we consider FFO to debt of about 20% to be commensurate with CEZ's 'bbb' stand-alone credit profile (SACP).

We have not changed our view that there is a moderately high likelihood that the government of the Czech Republic would offer CEZ extraordinary support in case of need. This provides two notches of uplift to the SACP.

Downside scenario

We could lower the ratings on CEZ if we revised our assessment of its SACP downward by one notch or more. This could stem from:

- FFO to debt falling below 20% without a clear path to recovery. This could be a result of unplanned outages causing a fall in generated output, or power prices decreasing significantly beyond our base case;
- The regulated grid business's contribution remaining below one-third of total EBITDA for an extended period; and
- CEZ engaging in further acquisitions, or injecting additional equity in off-balance-sheet projects, such as the Rolls Royce SMR, without remedial measures.

Upside scenario

We see limited upside potential for the ratings. An upgrade would require either a two-notch upward revision of CEZ's SACP, a higher assessment of the likelihood of extraordinary government support, or an upgrade of the Czech Republic.

That said, we could revise our SACP assessment upward by one notch if CEZ's FFO to debt remains sustainably higher than 25% and its discretionary cash flow to debt is less negative. This would also be conditional on a supportive financial policy.

Key Metrics

CEZ a.s.--Forecast summary

Period ending	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024	Dec-31-2025	Dec-31-2026	Dec-31-2027	Dec-31-2028
(Mil. CZK)	2021a	2022a	2023a	2024a	2025e	2026f	2027f	2028f
Revenue	224,822	281,053	336,384	340,323	351,054	346,711	358,123	353,617
Gross profit	126,581	150,974	195,446	215,854	262,387	238,162	255,592	263,508
EBITDA (reported)	63,525	131,820	125,148	137,710	136,349	97,831	98,247	97,750

CEZ a.s.--Forecast summary

Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	(11,734)	3,486	2,989	3,493	4,072	4,623	5,115	5,609
EBITDA	51,791	135,306	128,137	141,203	140,421	102,454	103,362	103,359
Less: Cash interest paid	(4,704)	(4,496)	(6,552)	(5,799)	(8,536)	(8,915)	(9,195)	(11,479)
Less: Cash taxes paid	(3,550)	(5,409)	(60,313)	(49,594)	(47,708)	(6,815)	(7,443)	(7,246)
Plus/(less): Other	--	--	--	--	2,493	1,331	330	330
Funds from operations (FFO)	43,537	125,401	61,272	85,810	86,670	88,055	87,054	84,963
EBIT	16,182	103,724	96,686	99,706	80,778	46,519	49,946	51,468
Interest expense	4,751	6,504	9,909	10,700	12,099	12,477	12,757	15,042
Cash flow from operations (CFO)	58,867	4,754	137,090	123,859	64,739	83,976	84,343	83,048
Capital expenditure (capex)	31,937	33,610	44,315	53,002	59,267	78,954	94,080	58,670
Free operating cash flow (FOCF)	26,930	(28,856)	92,775	70,857	5,471	5,022	(9,736)	24,379
Dividends	27,963	25,649	77,435	28,410	26,769	20,847	19,676	20,713
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(1,033)	(54,505)	15,340	42,447	(21,298)	(15,825)	(29,412)	3,666
Debt (reported)	137,881	202,146	168,910	246,149	268,455	266,251	299,752	308,353
Plus: Lease liabilities debt	--	--	--	--	--	--	--	--
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid investments	(27,139)	(46,461)	(17,549)	(43,401)	(33,399)	(10,000)	(10,000)	(19,234)
Plus/(less): Other	77,586	101,465	109,575	120,230	119,949	119,949	119,949	119,949
Debt	188,328	257,150	260,936	322,978	355,005	376,200	409,701	409,068
Equity	162,840	260,261	245,601	250,914	254,943	267,094	282,945	296,457
FOCF (adjusted for lease capex)	26,930	(28,856)	92,775	70,857	5,471	5,022	(9,736)	24,379
Interest expense (reported)	4,206	5,013	6,299	6,561	7,797	7,703	7,517	9,665
Capex (reported)	32,226	33,948	44,792	54,116	60,007	80,166	95,758	60,484
Cash and short-term investments (reported)	26,640	46,361	17,549	43,401	33,399	10,000	10,000	19,234

Adjusted ratios

CEZ a.s.--Forecast summary

Debt/EBITDA (x)	3.6	1.9	2.0	2.3	2.5	3.7	4.0	4.0
FFO/debt (%)	23.1	48.8	23.5	26.6	24.4	23.4	21.2	20.8
FFO cash interest coverage (x)	10.3	28.9	10.4	15.8	11.2	10.9	10.5	8.4
EBITDA interest coverage (x)	10.9	20.8	12.9	13.2	11.6	8.2	8.1	6.9
CFO/debt (%)	31.3	1.8	52.5	38.3	18.2	22.3	20.6	20.3
FOCF/debt (%)	14.3	(11.2)	35.6	21.9	1.5	1.3	(2.4)	6.0
DCF/debt (%)	(0.5)	(21.2)	5.9	13.1	(6.0)	(4.2)	(7.2)	0.9
Lease capex-adjusted FOCF/debt (%)	14.3	(11.2)	35.6	21.9	1.5	1.3	(2.4)	6.0
Annual revenue growth (%)	7.3	25.0	19.7	1.2	3.2	(1.2)	3.3	(1.3)
Gross margin (%)	56.3	53.7	58.1	63.4	74.7	68.7	71.4	74.5
EBITDA margin (%)	23.0	48.1	38.1	41.5	40.0	29.6	28.9	29.2
Return on capital (%)	4.0	23.9	18.9	18.5	13.6	7.4	7.5	7.4
Return on total assets (%)	1.7	9.1	10.0	11.5	8.9	5.0	5.2	5.2
EBITDA/cash interest (x)	11.0	30.1	19.6	24.3	16.4	11.5	11.2	9.0
EBIT interest coverage (x)	3.4	15.9	9.8	9.3	6.7	3.7	3.9	3.4
Debt/debt and equity (%)	53.6	49.7	51.5	56.3	58.2	58.5	59.2	58.0
Debt fixed-charge coverage (x)	10.9	20.8	12.9	13.2	8.5	6.8	6.1	5.3
Debt/debt and undepreciated equity (%)	53.6	49.7	51.5	56.3	58.2	58.5	59.2	58.0

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. CZK--Czech koruna.

Financial Summary

CEZ a.s.--Financial Summary

Period ending	Dec-31-2019	Dec-31-2020	Dec-31-2021	Dec-31-2022	Dec-31-2023	Dec-31-2024
Reporting period	2019a	2020a	2021a	2022a	2023a	2024a
Display currency (mil.)	CZK	CZK	CZK	CZK	CZK	CZK
Revenues	201,781	209,522	224,822	281,053	336,384	340,323
EBITDA	55,831	75,482	51,791	135,306	128,137	141,203
Funds from operations (FFO)	46,008	65,808	43,537	125,401	61,272	85,810
Interest expense	6,316	5,942	4,751	6,504	9,909	10,700
Cash interest paid	5,687	5,926	4,704	4,496	6,552	5,799
Operating cash flow (OCF)	42,670	71,880	58,867	4,754	137,090	123,859
Capital expenditure	29,541	31,281	31,937	33,610	44,315	53,002
Free operating cash flow (FOCF)	13,129	40,599	26,930	(28,856)	92,775	70,857

CEZ a.s.--Financial Summary

Discretionary cash flow (DCF)	253	22,460	(1,033)	(54,505)	15,340	42,447
Cash and short-term investments	9,758	8,819	26,640	46,361	17,549	43,401
Gross available cash	11,002	8,819	27,139	46,461	17,549	43,401
Debt	216,559	210,891	188,328	257,150	260,936	322,978
Common equity	255,364	238,563	162,840	260,261	245,601	250,914
Adjusted ratios						
EBITDA margin (%)	27.7	36.0	23.0	48.1	38.1	41.5
Return on capital (%)	5.1	9.5	4.0	23.9	18.9	18.5
EBITDA interest coverage (x)	8.8	12.7	10.9	20.8	12.9	13.2
FFO cash interest coverage (x)	9.1	12.1	10.3	28.9	10.4	15.8
Debt/EBITDA (x)	3.9	2.8	3.6	1.9	2.0	2.3
FFO/debt (%)	21.2	31.2	23.1	48.8	23.5	26.6
OCF/debt (%)	19.7	34.1	31.3	1.8	52.5	38.3
FOCF/debt (%)	6.1	19.3	14.3	(11.2)	35.6	21.9
DCF/debt (%)	0.1	10.7	(0.5)	(21.2)	5.9	13.1

Peer Comparison

CEZ a.s.--Peer Comparisons

	CEZ a.s.	Vattenfall AB	Endesa S.A.	EnBW Energie Baden- Wuerttemberg AG	Engie S.A.
Foreign currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2
Local currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2	BBB/Stable/A-2	A-/Stable/A-2	BBB+/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2024-12-31	2024-12-31	2024-12-31	2024-12-31
Mil.	CZK	CZK	CZK	CZK	CZK
Revenue	340,323	540,045	536,909	868,411	1,859,968
EBITDA	141,203	103,133	122,088	115,080	379,120
Funds from operations (FFO)	85,810	88,852	92,101	76,695	300,526
Interest	10,700	10,006	13,355	27,174	71,463
Cash interest paid	5,799	8,174	14,136	14,769	52,639
Operating cash flow (OCF)	123,859	135,859	103,390	66,255	308,735
Capital expenditure	53,002	64,404	46,164	130,272	228,023
Free operating cash flow (FOCF)	70,857	71,455	57,226	(64,017)	80,712
Discretionary cash flow (DCF)	42,447	58,497	30,213	(80,843)	(24,720)
Cash and short-term investments	43,401	187,425	21,167	200,078	426,564
Gross available cash	43,401	187,425	21,167	197,369	451,813
Debt	322,978	150,170	301,912	357,532	1,295,794
Equity	250,914	468,113	228,124	479,111	985,673
EBITDA margin (%)	41.5	19.1	22.7	13.3	20.4
Return on capital (%)	18.5	10.9	14.5	11.0	10.7
EBITDA interest coverage (x)	13.2	10.3	9.1	4.2	5.3

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CEZ a.s.--Peer Comparisons

FFO cash interest coverage (x)	15.8	11.9	7.5	6.2	6.7
Debt/EBITDA (x)	2.3	1.5	2.5	3.1	3.4
FFO/debt (%)	26.6	59.2	30.5	21.5	23.2
OCF/debt (%)	38.3	90.5	34.2	18.5	23.8
FOCF/debt (%)	21.9	47.6	19.0	(17.9)	6.2
DCF/debt (%)	13.1	39.0	10.0	(22.6)	(1.9)

CEZ a.s.--Peer Comparisons

	CEZ a.s.	SSE PLC
Foreign currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2
Local currency issuer credit rating	A-/Stable/--	BBB+/Stable/A-2
Period	Annual	Annual
Period ending	2024-12-31	2025-03-31
Mil.	CZK	CZK
Revenue	340,323	302,290
EBITDA	141,203	95,223
Funds from operations (FFO)	85,810	80,289
Interest	10,700	13,783
Cash interest paid	5,799	7,374
Operating cash flow (OCF)	123,859	69,632
Capital expenditure	53,002	89,829
Free operating cash flow (FOCF)	70,857	(20,197)
Discretionary cash flow (DCF)	42,447	(35,853)
Cash and short-term investments	43,401	32,536
Gross available cash	43,401	32,536
Debt	322,978	323,282
Equity	250,914	350,615
EBITDA margin (%)	41.5	31.5
Return on capital (%)	18.5	11.7
EBITDA interest coverage (x)	13.2	6.9
FFO cash interest coverage (x)	15.8	11.9
Debt/EBITDA (x)	2.3	3.4
FFO/debt (%)	26.6	24.8
OCF/debt (%)	38.3	21.5
FOCF/debt (%)	21.9	(6.2)
DCF/debt (%)	13.1	(11.1)

Liquidity

We view CEZ's liquidity position as adequate based on our expectation that available liquidity resources will cover cash outflows by more than 1.2x in the next 12 months. Supportive qualitative factors include strong bank support, the company's high standing in the credit markets, and the ongoing benefits of its state ownership. We do not view CEZ' liquidity as strong because its sources do not cover uses during the 12 months after Sept. 30, 2026.

Principal liquidity sources	Principal liquidity uses
<ul style="list-style-type: none">Over the 12 months from Sept. 30, 2025, unrestricted cash and liquid securities of CZK55.8 billion;Availability of about CZK104 billion under various committed back-up facilities maturing after 12 months; andCash FFO of about CZK80 billion.	<ul style="list-style-type: none">Over the same period, debt maturities of about CZK30 billion;Annual capex of about CZK75 billion; andA dividend of about CZK22 billion.

Environmental, Social, And Governance

We assess CEZ's management and governance as neutral to our credit rating analysis. Over the past decade, CEZ has committed to generating carbon-neutral electricity by 2040 and has implemented several measures to reduce its carbon dioxide (CO2) emissions intensity by upgrading its lignite fleet and planning to close some of its least-efficient lignite and hard coal plants. CEZ emitted 0.27 metric ton of CO2/MWh in 2024 versus 0.57 in 2010.

We think that CEZ remains significantly exposed to challenges arising from carbon price developments and EU decarbonization objectives considering its carbon-intensive fleet. This fleet will require substantial investment to generate carbon-neutral electricity. Electricity generation from coal was approximately 30% of CEZ's total output, or 15.2 terawatt hours, in 2024. Additional risks lie in CEZ's sizable nuclear fleet (59% of output in 2024).

In 2015 and 2016, CEZ mismanaged the surveillance of its reactors, causing significant outages and additional costs. Its end-of-cycle liabilities for both decommissioning and nuclear waste storage are also significant. We capture these in our debt adjustment for asset-retirement obligations.

From a social perspective, the Czech Republic's main political parties support both nuclear and coal, acknowledging nuclear generation's central role in preserving national energy independence. In recent years, the country's renewable energy ambitions have increased. Its climate and energy plan envisages a significant increase in the share of production from renewables to 22% in 2030 from 13.0% in 2020, or approximately 1 gigawatt of solar capacity.

We view as positive CEZ's recent sale of 80% of Elektrárna Dukovany II (EDU II), which will be responsible for deploying at least two 1 gigawatt (GW) reactors over the next decade, to the Czech government, since it considerably reduces CEZ's business and financial risks associated with the future development of new nuclear power capacity. We expect CEZ's involvement in the deployment of new nuclear capacity under EDU II will be limited to commercial agreements between the two entities. We anticipate that the development of the nuclear units at EDU II will be funded by the Czech government entirely, mitigating any future cost, funding, and liquidity pressures for CEZ related to these projects.

However, we note that CEZ also intends to deploy 3GW of SMRs by 2050, which are an untested technology and will likely require significant government support, if these are deployed at scale in Czechia. We will monitor CEZ's equity commitments as it further advances in its intention to pursue these projects as part of reshaping the Czech Republic's electricity mix.

Rating Component Scores

Foreign currency issuer credit rating	A-/Stable/--
Local currency issuer 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	Neutral (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	bbb

Related Criteria

- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings](#), March 28, 2018
- [General Criteria: Methodology For Linking Long-Term And Short-Term Ratings](#), April 7, 2017
- [General Criteria: Rating Government-Related Entities: Methodology And Assumptions](#), March 25, 2015
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [ARCHIVE | Criteria | Corporates | 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
- [ARCHIVE | Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry](#), Nov. 19, 2013

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- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011
- [General Criteria: Stand-Alone Credit Profiles: One Component Of A Rating](#), Oct. 1, 2010

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