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CREDIT OPINION
23 January 2019

Update

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RATINGS

CEZ, a.s.

Domicile	Czech Republic
Long Term Rating	Baa1
Type	Senior Unsecured - Fgn Curr
Outlook	Positive

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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CEZ, a.s.

Update to credit analysis

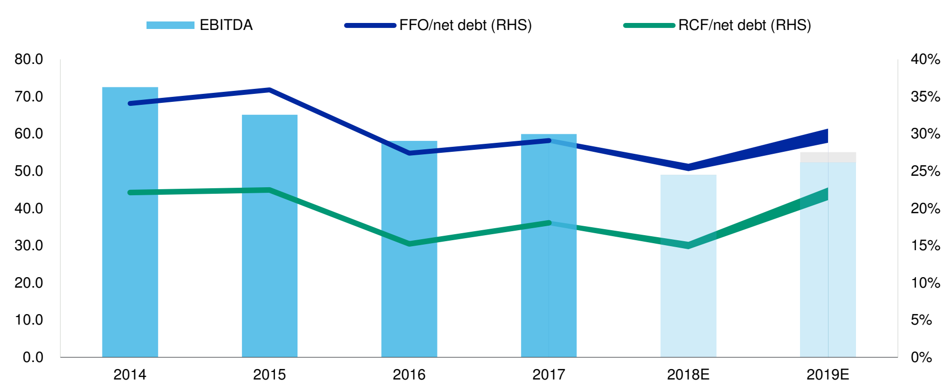
Summary

ČEZ, a.s. (ČEZ)'s credit quality is supported by (1) its leading position in the Czech electricity market and well-balanced vertical integration; (2) a low-cost nuclear and lignite power generation fleet; and (3) the relatively stable and predictable cash flows from its electricity distribution activities in the Czech Republic.

These positives are balanced by ČEZ's (1) relatively high exposure to merchant power generation, which together with the mining segment accounted for more than 40% of EBITDA in the 12 months to September 2018; (2) predominantly fixed-cost power generation business exposed to a volatile power price environment; and (3) the execution risks associated with the company's strategy to expand in renewables and energy services.

From a financial risk perspective, we expect ČEZ's 2019 credit ratios to strengthen compared with last year, mainly on the back of the improved power price environment and higher output. The longer term evolution of the company's financial profile will depend on any updates to the company's strategic plan and the government's decision regarding ČEZ's involvement in the development of new nuclear in the Czech Republic.

Exhibit 1
ČEZ's financial metrics in 2019 will strengthen on the back of improved power prices
Funds from operations (FFO) and retained cash flow (RCF)-based ratios



The estimates represent Moody's forward view; not the view of the issuer.
Source: Moody's Investors Service

ČEZ's credit quality is supported by the 70% ownership by the Government of Czech Republic (A1 positive).

Credit strengths

» ČEZ's generation fleet in the Czech Republic is mostly low-cost nuclear and lignite

» Regulated network distribution activities support cash flow stability

» Moderate capex programme results in positive free cash flows

» Ownership by the Czech government (A1 positive)

Credit challenges

» Large exposure to fixed-cost, merchant power generation in the Czech Republic

» Strategy to invest, among other, in renewables creates execution risk given ČEZ's historically limited exposure to this business

» Uncertainty surrounding the development of new nuclear plants in Czech Republic and the potential for a split of ČEZ's business

Rating outlook

The positive outlook is in line with the positive outlook on the Czech sovereign rating. It recognizes that (1) a stronger credit profile of the Government of Czech Republic, and (2) the government's continued strong support for ČEZ in the context of the potential evolution of the company's business risk profile and its strategic role in pursuing national energy policies, could result in an increase of the uplift to ČEZ's standalone credit quality to two notches versus the current one notch. It further reflects our expectation that ČEZ's key credit metrics will remain aligned with the guidance for the current rating, which includes funds from operations (FFO)/net debt around the mid twenties in percentage terms, and retained cash flow (RCF)/net debt in the high teens in percentage terms.

Factors that could lead to an upgrade

ČEZ's rating could be upgraded if (1) the sovereign rating of the Czech Republic was upgraded; (2) there was evidence of the government's continued strong support to ČEZ; (3) the company's fundamental strength remained commensurate with at least the current BCA of baa2; and (4) there was more clarity on ČEZ's potential involvement in new nuclear development and business reorganization. Positive rating pressure could also develop if ČEZ's financial profile were to strengthen such that the company's FFO/net debt were to remain in the high twenties to low thirties in percentage terms and RCF/net debt was comfortably above 20% on a sustainable basis.

Factors that could lead to a downgrade

Negative pressure on ČEZ's rating could develop if (1) the company were not able to maintain a financial profile commensurate with the current guidance, i.e. FFO/net debt around the mid twenties in percentage terms and RCF/net debt in the high teens in percentage terms; (2) the company's business risk profile were to weaken, which could be as a result of, for example, the company's involvement in new nuclear development without any support mechanism; and/or (3) the support assumption currently incorporated in our assessment were to weaken.

Key indicators

Exhibit 2
ČEZ, a.s.

	Dec-13	Dec-14	Dec-15	Dec-16	Dec-17	2018 (f)	2019 (f)
(FFO + Interest Expense) / Interest Expense	7.3x	7.4x	8.7x	8.3x	8.6x	7.5-8.5x	8-9x
FFO / Net Debt	31.9%	31.5%	35.9%	27.4%	29.1%	24-26%	28-32%
RCF / Net Debt	20.7%	19.6%	22.5%	15.2%	18.0%	14-16%	20-24%

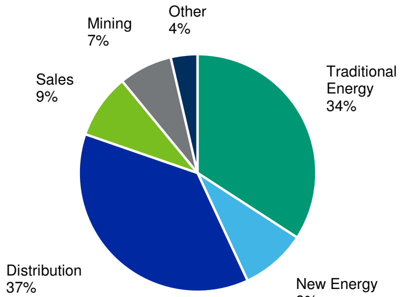
[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations. [2] The estimates represent Moody's forward view; not the view of the issuer.
Source: Moody's Financial Metrics, Moody's estimates

Profile

ČEZ, a.s. is one of the largest electric utility companies in Central and Eastern Europe with 15 gigawatts (GW) of power generation capacity and more than 8 million customers. The group operates primarily in the Czech Republic (86% of EBITDA in the 12 months to September 2018) as well as in Romania (8%), Bulgaria (2%), Germany (2%) and Poland (2%). It has also limited presence in France.

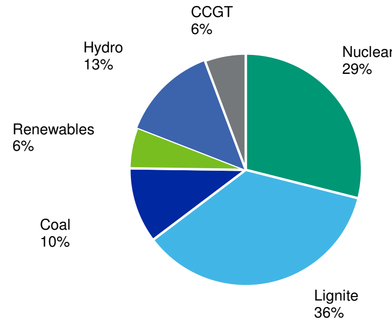
ČEZ's core businesses are (1) power generation, which includes traditional energy and renewables; (2) regulated distribution; (3) sales (including supply activities); and (4) mining and other activities, which complement the core business segments.

Exhibit 3
Power generation accounts for the bulk of ČEZ's EBITDA
EBITDA breakdown by segment, as of end-September 2018 (LTM)



Total EBITDA of CZK51 billion.
Source: Company's reports, Moody's Investors Service

Exhibit 4
ČEZ's installed capacity includes mainly nuclear and coal
Breakdown of installed capacity, as of end-2017



Total capacity of 14.9 GW.
Source: Company's reports, Moody's Investors Service

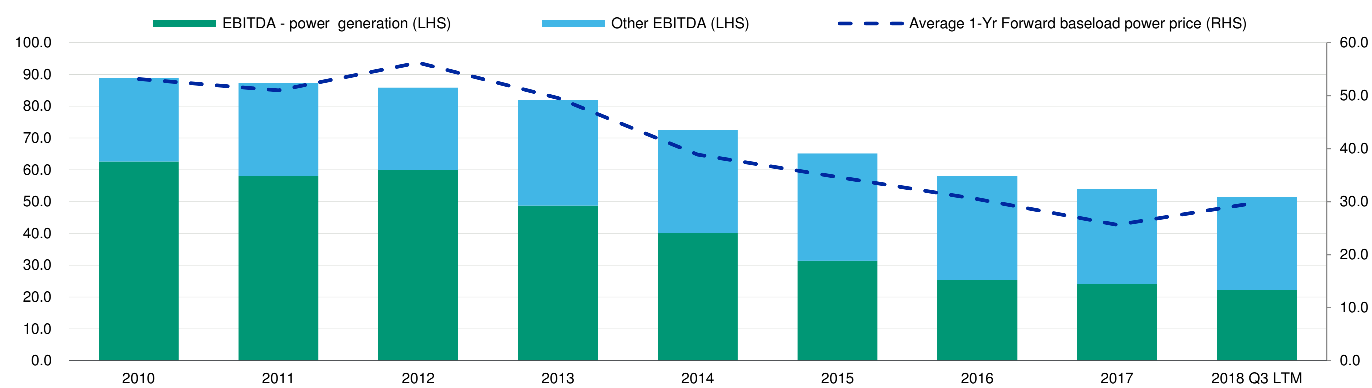
ČEZ is approximately 70% owned by the Czech government (A1 positive), whilst the remaining shares are listed on the Prague stock exchange. As of mid-January 2019, ČEZ had a market capitalisation of around CZK290 billion (€11.3 billion).

Detailed credit considerations

Large power generator exposed to power price swings

ČEZ is the largest generator in the Czech Republic, where it has 13 GW installed capacity and a market share of around 67%. This position is further supported by its vertical integration as the company (1) own mines covering 71% of its lignite needs; and (2) has a 29% market share in supply. ČEZ's generation fleet is, however, predominantly fixed-cost, with 83% of total generation output represented by nuclear (45%) and lignite (38%). This makes the company particularly exposed to wholesale power prices.

Exhibit 5
ČEZ's EBITDA is sensitive to power prices
EBITDA in CZK billion, power price - €/MWh



2018 Q3 LTM EBITDA was negatively affected by higher carbon allowance costs, lower coal generation and lower revenue from green certificates in Romania.
Source: Moody's Investors Service

More positively, we note that ČEZ has a fairly low fuel cost estimated at €7/MWh for nuclear and €27-28/MWh for lignite plants (assuming current CO2 prices), which is supportive of the company's profitability even in a low price environment.

Volatile commodity and power price environment but generation earnings will benefit from higher prices, if sustained

Czech power prices are closely linked to those in Germany given the interconnections between the two countries. Forward baseload power prices in Germany have rebounded from their 2016 lows, with the recent increase in wholesale prices mainly driven by higher commodity and carbon prices. Current 1-year forwards are around €52/MWh. We expect the market in Germany to remain structurally oversupplied into the early 2020s, as new renewable capacity will more than offset thermal and nuclear closures. (See In Germany, national policies will continue to challenge conventional generators, July 2018).

Higher power prices, if sustained, will benefit ČEZ's power generation earnings, although the impact will be limited by hedges. As of end-September 2018, the company had hedged 84% and 56% of its output at €35.8/MWh and €38.8/MWh for 2019 and 2020 respectively. The hedge ratio decreases to 25% in 2021, with a locked-in price of €39.1/MWh.

The positive impact of higher realised prices will be partly offset by higher costs of emission allowances to the extent these have not been hedged or are not received for free (carbon prices of around €20 per tonne are significantly above 2017 levels of around €7-8 per tonne). In this regard, we note that ČEZ has hedged its emission allowances at €6 and €9 per tonne for 2019 and 2020, respectively.

Taking into account ČEZ's generation portfolio in the Czech Republic, we estimate that a €1/MWh increase in wholesale power prices will boost operating profits by around CZK860 million on an unhedged basis (equivalent to less than 2% of ČEZ's EBITDA in the 12 months to September 2018. This estimate is calculated based on the assumption that the power price increase is mainly driven by the rise in prices for CO2 emission allowances). (See Higher power prices are positive for generators but credit impact is moderate, November 2018).

Regulated distribution activities support cash flow stability

Around 37% of ČEZ's EBITDA is derived from regulated electricity distribution network activities. Some 86% of this segment's earnings come from the Czech Republic, where the company owns five of the eight distribution grids, representing an aggregate regulated asset base (RAB) of CZK97.1 billion and accounting for around 65% of electricity distributed. The group's distribution activities in Romania (Baa3 stable) and Bulgaria (Baa2 stable) are much smaller in scale.

Exhibit 6

Summary of ČEZ's electricity distribution network activities

	Czech Republic	Bulgaria	Romania
Regulator / Price Control	ERO / 4th regulatory period	EWRC / 5th regulatory period	ANRE / 3rd regulatory period
Regulatory period	2016-20	2018 - 2021	2014-18
Pre-tax allowed return	7.951% (nominal)	6.67% (nominal)	7.7% (real)
Regulated Asset Base	€3,803 million	€300 million	€506 million

Source: Company, Moody's Investors Service

We view the regulatory framework for electricity distribution networks in the Czech Republic as well-defined, providing adequate and fair remuneration for operating expenditure and investments and generally supportive of ČEZ's credit quality. Distribution activities are in their fourth regulatory period and we note that the current regulatory period was extended by two years by the Czech Energy Regulatory Office (ERO) in January 2018, providing for a medium-term visibility to the networks' earnings. The existing regulatory parameters, including the 7.95% allowed return underpinning tariff decisions, will be thus maintained until 2020. (See Proposed two-year extension of current regulatory period credit positive for Czech networks, September 2017). Given the decline in interest rates, we expect a reduction in the allowed returns for the Czech networks in 2021, albeit the impact on ČEZ's cash flows will be partly mitigated by the growing asset base. We understand that more clarity on the regulatory framework is expected in November 2019.

ČEZ's distribution activities in Bulgaria and Romania, contributing around CZK3 billion to the group's EBITDA in the 12 months to September 2018, provide less earnings predictability due to less stable regulatory regimes. The lack of transparency and stability of the regulatory environment coupled with adverse political intervention has prompted ČEZ to review its presence in the Bulgarian market.

The company agreed the sale of its Bulgarian assets in February 2018 (see Sale of Bulgarian assets is credit neutral, February 2018) but the transaction has been opposed by the Bulgarian authorities and there is uncertainty whether or when it will be concluded.

Sales segment provides platform for development of new energy solutions but competition pressures volumes and margins

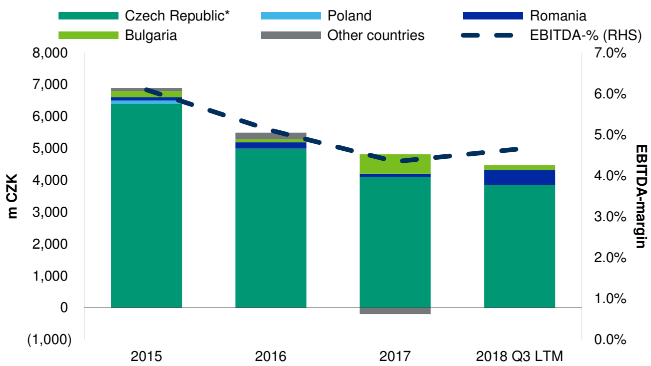
With sales of 17.5 TWh in the 12 months to September 2018, ČEZ is a large supplier of electricity in the Czech Republic, accounting for 29% of the market. Outside of its domestic market, the company's electricity retail sales amounted to 19.9 TWh, of which 10.5 TWh in Bulgaria and 3.3 TWh in Romania.

We expect ČEZ's earnings in the Czech Republic to remain under pressure this year due to higher commodity prices but the overall competitive dynamics appear to be less challenging than in some Western European countries. Profitability of sales in Romania and Bulgaria will, however, decrease further. The decline in retail supply earnings will be somewhat offset by growth in energy services, including in Germany and Poland, where ČEZ increased its presence via a number of acquisitions.

Exhibit 7

ČEZ's Sales EBITDA has decreased since 2015

ČEZ's Sales EBITDA in CZK million and EBITDA margin



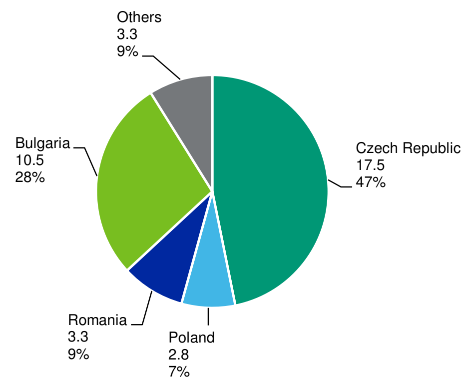
2015 EBITDA includes extraordinary CZK 1.1bn payment of SZDC liabilities from 2010 to sales company CEZ Prodej based on a court ruling

Source: Company's reports, Moody's Investors Service

Exhibit 8

Sales in the Czech Republic account for the bulk of total

Electricity supplied, as of end-September 2018, TWh (LTM)



Total electricity supplied amounted to 37.4 TWh

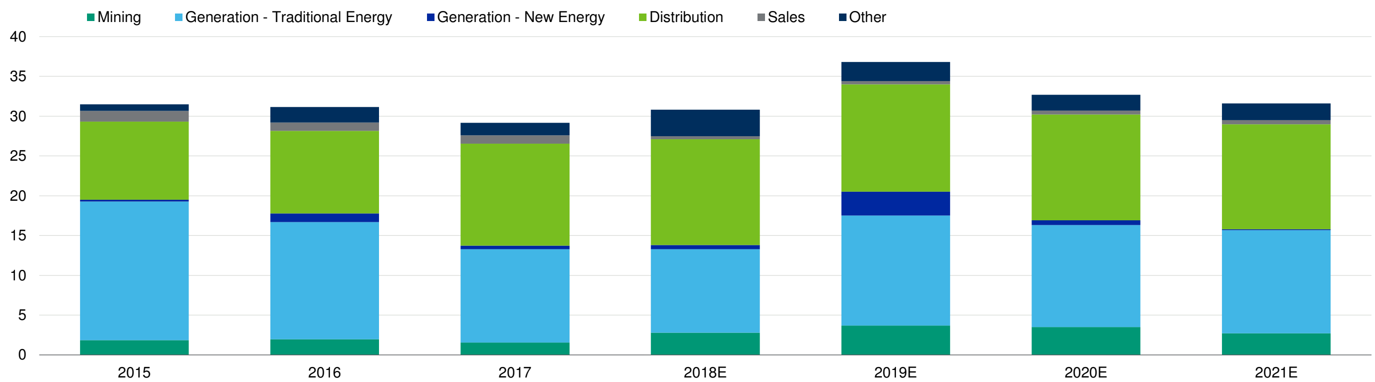
Source: Company's reports, Moody's Investors Service

Strategy to build on the company's core competences coupled with modest growth in new ventures

ČEZ's strategy aims to maximise cash flows from its traditional business and strengthen the company's position in central Europe by investing into renewables, decentralized solutions, the heat sector and distribution.

The company's total investment plans amount to around CZK160 billion over the 2018-22 period, with the majority of spending split between traditional energy segment (CZK61 billion) and distribution (CZK66 billion). Planned annual investments of CZK30-35 billion are broadly in line with the historical average, although with some shift in spending towards renewables and distribution networks, following the completion of investments designed to refurbish and upgrade the generation fleet over the last few years.

Exhibit 9
Majority of CEZ's investments is planned in the power generation and distribution segments
in CZK billion



Source: Company, Moody's Investors Service

ČEZ's strategy is comparable with most of its European peers, which seek to expand operations in renewable energy and services. While the currently planned investments in new ventures are fairly small in the context of ČEZ's activities, with a very modest increase in renewable capacity by 2020, the company's strategy carries some execution risk, given competition for assets and declining subsidies. The energy services segment provides some diversification but we remain cautious about its growth potential over the medium term.

Credit metrics to be well positioned against our guidance absent increased investments

ČEZ targets a financial profile with leverage of 2.5-3x on a net debt/EBITDA basis. The company's dividend policy assumes a pay-out of 60-100% of consolidated adjusted net income, with the actual payments at the higher end of this range. We note that the dividend pay-out range was expected to be narrowed in the context of the company's strategic update, but this has been postponed pending the government's decision regarding development of new nuclear in the Czech Republic.

Absent an increase in capital expenditure, we expect ČEZ to demonstrate FFO/net debt at least in the high twenties in percentage terms in the medium term. The company could, however, face additional demands on its cash flows once its development strategy has been refined.

Uncertainty around the development of new nuclear and CEZ's role

ČEZ's generation fleet includes two nuclear power plants - Dukovany, which consists of four units (2 GW in total) commissioned in 1985-87, and Temelin, which has two units (around 2.3 GW in total) commissioned in 2002-03. Whilst the plants' availability was affected over the past few years by the unplanned nuclear outages due to prolonged weld checks and license renewals (in 2016 production from nuclear amounted to 24 TWh, and in 2017 28 TWh), ČEZ's production from nuclear in 2018 amounted to 30 TWh and the company expects production to increase to around 31 TWh in the following years.

The government's energy policy is to preserve full independence of the Czech Republic in power generation after the country runs out of domestic coal and existing nuclear plants reach the end of their operational life. In this regard, nuclear is to remain a key component of the country's fuel mix in the future. This will require development of new nuclear units once Dukovany nuclear power plant reaches end of its operations, currently expected in 2035.

The Czech government is currently investigating three options for the development of new nuclear being (1) development by ČEZ; (2) development by the state; and (3) a transformation of ČEZ, including a breakup of the conventional generation, including nuclear power, from that of regulated distribution, sales and renewable activities.

While the analysis includes a potential for the support mechanism, such as, for example, state guarantees, there is currently no clarity regarding ČEZ's role in development of new nuclear and the potential for the group's split. A decision by government was originally expected last year, but has been delayed.

Development of new nuclear carries significant risk, as evidenced by the examples of other projects (see Further OL3 delay illustrates significant risks in nuclear construction, December 2018). We do not currently factor in possible new nuclear investment in our credit assessment of ČEZ as there remains significant uncertainty regarding both the timing and potential government support for such a project. We further understand that the final investment decision is unlikely to be made before 2028.

Government ownership supports credit quality

ČEZ is 70% owned by the Czech government and we expect the state will continue to hold a majority shareholding in the company.

The company plays a critical role within the Czech energy sector and has a high strategic importance to the overall Czech economy, given that it represents one of the largest employers and contributors to the state budget.

Relatively high risk from decarbonisation of the power sector

The EU has committed to reduce greenhouse gas emissions by 40% from 1990 levels and to increase the contribution of renewables to energy demand to 27% by 2030. These targets, agreed in 2014, formed the basis of the EU's Nationally Determined Contributions incorporated into the Paris Agreement, and are designed to significantly decarbonise the region's economies. We believe that unregulated utilities, which account for 40% of EU carbon emissions, will need to deliver a significant share of the reductions, and that this will create a variety of risks and opportunities for individual utilities.

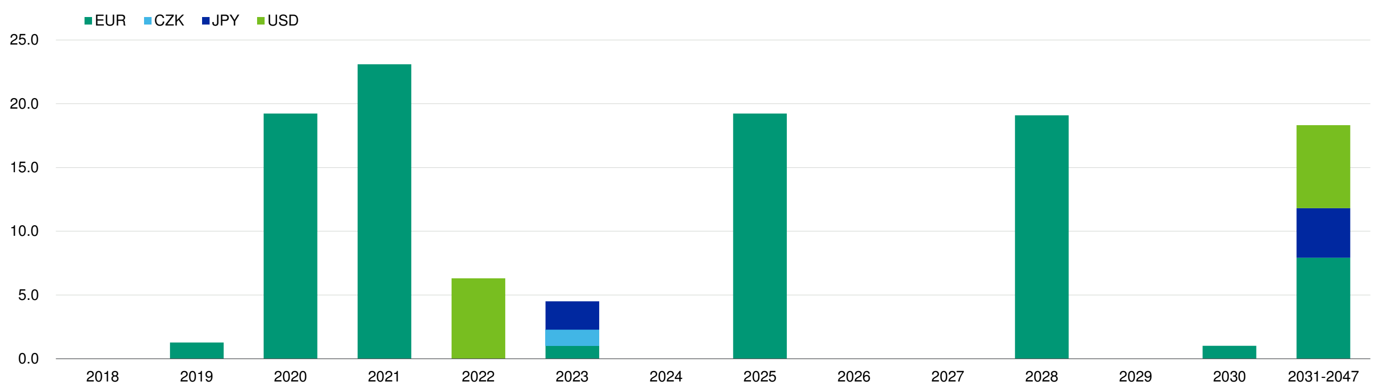
We believe that ČEZ has a relatively high exposure to carbon transition risks compared to peers, given its material exposure to centralized and carbon-intensive (lignite) power generation. The company's carbon intensity of its generation fleet amounts to 440 g/kWh. Despite ČEZ's ambition to become a major European player in renewables, and small investments in consumer technology, ČEZ currently has limited exposure to renewables and services.

Liquidity analysis

As of end-September 2018, ČEZ's liquidity was supported by CZK12.2 billion of cash and CZK12.4 billion of undrawn committed facilities.

The majority of ČEZ's upcoming debt maturities is related to bank debt with limited bond maturities until 2020, when the €750 million 4.5% notes come due.

Exhibit 10
Bond maturity profile as of end-September 2018
in CZK billion



Note: CEZ issued a €500m 0.875% note in November 2018, maturing in 2022
In addition to bonds, ČEZ had CZK22 billion in bank debt outstanding as of end-September 2018.
Source: Company, Moody's Investors Service

Structural considerations

ČEZ is the principal borrower for the ČEZ group and the issuer under the €8 billion euro medium-term note (EMTN) programme.

Following the early redemption of convertible bonds in the amount of CZK12.6 billion with the proceeds from the sale of a 7.5% stake in MOL in April 2017, ČEZ's capital structure includes a mix of senior unsecured bonds and bank debt. Some 8% of the group's debt is raised at the subsidiary level.

Rating methodology and scorecard factors

ČEZ is rated in accordance with the rating methodology for Unregulated Utilities and Unregulated Power Companies, published in May 2017. The company's baseline credit assessment (BCA) is in line with the grid-indicated rating.

Given the 70% ownership by the Czech government (A1 positive), ČEZ is considered a Government-Related Issuer (GRI) under Moody's methodology for Government-Related Issuers, published in June 2018. Accordingly, and based on our estimate of strong support and moderate dependence, the Baa1 rating factors in one notch of uplift from the company's BCA of baa2.

Exhibit 11

Rating Factors

ČEZ, as.

Unregulated Utilities and Unregulated Power Companies Industry Grid [1][2]	Current LTM 9/30/2018		Moody's 12-18 Month Forward View As of January 2019 [3]	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale (USD Billion)	A	A	A	A
Factor 2 : Business Profile (40%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	A	A	A	A
e) Business Mix Impact on Cash Flow Predictability	Aa	Aa	Aa	Aa
Factor 3 : Financial Policy (10%)				
a) Financial Policy	Baa	Baa	Baa	Baa
Factor 4 : Leverage and Coverage (40%)				
a) (CFO Pre-W/C + Interest) / Interest (3 Year Avg)	7.3x	Baa	7.5x - 9.5x	Baa
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	28.5%	Baa	28% - 32%	Baa
c) RCF / Net Debt (3 Year Avg)	17.1%	Baa	20% - 24%	Baa
Rating:				
a) Indicated Rating from Grid		Baa2		Baa2
b) Actual Baseline Credit Assessment Assigned		baa2		

Government-Related Issuer	**Factor**
a) Baseline Credit Assessment	baa2
b) Government Local Currency Rating	A1
c) Default Dependence	Moderate
d) Support	Strong
e) Final Rating Outcome	Baa1

[1] All ratios are based on 'Adjusted' financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
[2] As of 09/30/2018; Source: Moody's Financial Metrics™.
[3] This represents Moody's forward view; not the view of the issuer; and unless noted in the text, does not incorporate significant acquisitions and divestitures.
Source: Moody's Investors Service

Appendix

Exhibit 12

ČEZ, a.s.Peer Comparison Table

	CEZ, a.s. Baa1 Positive			Fortum Oyj Baa2 Negative			EnBW AG (P)A3 Stable			Vattenfall AB A3 Stable		
(in USD millions)	FYE Dec-16	FYE Dec-17	LTM Sep-18	FYE Dec-16	FYE Dec-17	LTM Sep-18	FYE Dec-16	FYE Dec-17	LTM Sep-18	FYE Dec-16	FYE Dec-17	LTM Sep-18
Revenue	8,253	8,570	8,567	4,019	5,107	6,040	21,430	24,828	28,603	16,282	15,859	17,324
EBITDA	2,349	2,301	2,192	1,056	1,464	1,858	150	4,624	3,223	3,103	4,179	4,663
Total Assets	24,001	28,780	32,894	24,329	27,499	26,995	40,961	47,080	52,574	45,472	50,542	52,856
Total Debt	7,451	8,356	7,995	6,645	7,387	8,410	24,388	22,279	21,381	18,699	18,706	16,930
Net Debt	6,818	7,606	7,196	1,209	2,707	7,562	11,146	10,956	10,748	14,214	15,757	12,299
FFO / Net Debt	27.4%	29.1%	26.0%	70.7%	40.9%	17.5%	16.3%	34.4%	14.1%	19.1%	20.9%	20.7%
RCF / Net Debt	15.2%	18.0%	14.9%	-14.6%	-2.5%	2.4%	13.6%	33.0%	10.2%	18.1%	20.0%	17.6%
(FFO + Interest Expense) / Interest Expense	8.3x	8.6x	6.2x	5.3x	5.9x	7.5x	3.3x	5.4x	2.6x	5.1x	4.6x	3.8x
Net Debt / EBITDA	2.9x	3.3x	3.3x	1.1x	1.8x	4.1x	74.3x	2.4x	3.3x	4.6x	3.8x	2.6x

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™.

Exhibit 13

ČEZ, a.s.
Adjusted Net Debt calculation

(in CZK billions)	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	LTM Sep-18
As Reported Total Debt	199.0	184.1	157.5	167.8	152.2	150.1
Non-Standard Public Adjustments	33.6	32.8	26.7	23.1	25.5	27.4
Moody's Adjusted Total Debt	232.6	216.9	184.2	190.9	177.6	177.5
Cash & Cash Equivalents	(42.0)	(36.9)	(25.6)	(16.2)	(15.9)	(17.7)
Moody's Adjusted Net Debt	190.6	180.0	158.6	174.7	161.7	159.7

All figures & ratios calculated using Moody's estimates & standard adjustments. FYE = Financial Year-End. LTM = Last Twelve Months. RUR* = Ratings under Review, where UPG = for upgrade and DNG = for downgrade.
Source: Moody's Financial Metrics™.

Exhibit 14
ČEZ, a.s.
Selected Moody's adjusted financial data

CZK billions	FYE Dec-13	FYE Dec-14	FYE Dec-15	FYE Dec-16	FYE Dec-17	LTM Sep-18
INCOME STATEMENT						
Revenue	217.0	198.3	206.1	201.6	199.4	184.2
EBITDA	88.4	69.3	68.0	57.4	53.6	47.1
EBIT	54.5	41.6	39.4	28.4	24.2	19.3
Interest Expense	9.7	8.8	7.4	6.6	6.2	7.9
Net income	35.6	24.8	23.5	14.1	13.0	7.2
BALANCE SHEET						
Net Property Plant and Equipment	422.0	422.5	417.7	423.9	426.4	413.9
Total Assets	626.5	612.1	586.7	614.9	611.9	730.1
Total Debt	232.6	216.9	184.2	190.9	177.6	177.5
Cash & Cash Equivalents	42.0	36.9	25.6	16.2	15.9	17.7
Net Debt	190.6	180.0	158.6	174.7	161.7	159.7
Total Liabilities	371.4	351.2	310.7	341.0	339.7	475.1
CASH FLOW						
Funds from Operations (FFO)	60.9	56.8	56.9	47.9	47.0	41.5
Cash Flow From Operations (CFO)	65.4	63.3	65.5	42.8	40.5	40.7
Dividends	(21.3)	(21.5)	(21.3)	(21.3)	(17.9)	(17.6)
Retained Cash Flow (RCF)	39.5	35.2	35.6	26.6	29.2	23.8
Capital Expenditures	(38.9)	(28.4)	(24.9)	(29.4)	(25.4)	(19.5)
Free Cash Flow (FCF)	5.2	13.3	19.4	(7.9)	(2.7)	3.5
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	7.3x	7.4x	8.7x	8.3x	8.6x	6.2x
LEVERAGE						
FFO / Debt	26.2%	26.2%	30.9%	25.1%	26.5%	23.4%
RCF / Debt	17.0%	16.2%	19.3%	13.9%	16.4%	13.4%
FFO / Net Debt	31.9%	31.5%	35.9%	27.4%	29.1%	26.0%
RCF / Net Debt	20.7%	19.6%	22.5%	15.2%	18.0%	14.9%

All figures and ratios are calculated using Moody's estimates and standard adjustments.
Source: Moody's Financial Metrics

Ratings

Exhibit 15

Category	Moody's Rating
CEZ, A.S.	
Outlook	Positive
Senior Unsecured	Baa1

Source: Moody's Investors Service

REPORT NUMBER 1156995

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