CREDIT OPINION
4 April 2025

Update

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RATINGS

CEZ, a.s.

Domicile	Prague, Czech Republic
Long Term Rating	Baa1
Type	Senior Unsecured - Fgn Curr
Outlook	Negative

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.

CEZ, a.s.

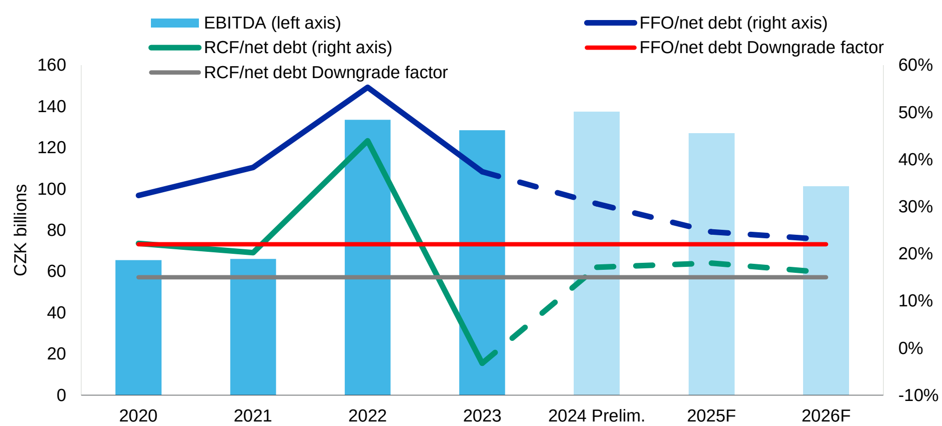
Update to credit analysis

Summary

CEZ, a.s.'s (Baa1 negative) credit quality is supported by its leading position in the Czech electricity market and well-balanced vertical integration; the low-cost nature of its nuclear and lignite power generation fleet; and the relatively stable and predictable cash flow generated by its electricity and gas distribution activities in the Czech Republic.

These positives are counterbalanced by CEZ's relatively high exposure to merchant power generation, which, together with the mining segment, accounted for 73% of its EBITDA in 2024 given the recent high wholesale prices, and volatility in commodity prices; its limited geographical diversification; its exposure to decarbonisation policies because of its centralised and carbon-intensive (lignite and coal) power generation; and the risks associated with its large investment plan, which encompasses new solar, gas and nuclear capacity in the Czech Republic, as well as continued large investments into its distribution network.

Exhibit 1
The acquisition of GasNet will strain credit metrics from 2025



All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings

CEZ's credit quality is supported by the Government of the Czech Republic's (Aa3 stable) 70% ownership in the company.

Credit strengths

» Status as a major power generator in the Czech Republic, with more than 65% of output based on low-cost nuclear and renewable power generation

» Stable cash flow, supported by regulated network distribution activities

» Ownership by the Czech government

Credit challenges

» Weakened credit metrics following acquisition of a majority stake in GasNet

» Large exposure to lignite and coal-fired generation in the Czech Republic, resulting in an exposure to decarbonisation policies

» Uncertainty surrounding new nuclear plant development with regard to construction, and the balance of risks and potential for support

» Risks associated with a large investment programme, driven by a new strategy focused on new renewable, gas and nuclear capacities

Rating outlook

The negative outlook on CEZ's rating reflects our expectation that the company will demonstrate weakening credit metrics from 2025, which may not be commensurate with its current Baa1 rating over time. However, its adherence to its internal financial policies remains a credit positive. The company has demonstrated a strong track record over the years, whereby its reported net leverage has remained well below the 3.5x leverage target that it seeks to operate within and there is scope for credit-enhancing measures to be put in place that could buffer the impact of the acquisition of the majority stake in GasNet.

Factors that could lead to upgrade

Because of the negative outlook, a rating upgrade is currently unlikely. Over time, upward pressure could build if the government continues to provide strong support and CEZ's fundamental strength remains commensurate with at least its current Baseline Credit Assessment (BCA) of baa2. In addition, the company would have to implement adequate measures to mitigate risks arising from the development of new nuclear plants.

Factors that could lead to downgrade

We could downgrade CEZ's rating if the company fails to maintain a financial profile commensurate with our guidance for funds from operations (FFO)/net debt above 22% and retained cash flow (RCF)/net debt above 15%. Downward pressure could also build if the company's business risks increase because of, for example, its involvement in new nuclear development projects without any support mechanism; or the government support assumption currently incorporated into our assessment weakens. Any rating downgrade would take into account the Czech government's credit quality and the likelihood of extraordinary support.

Key indicators

Exhibit 2
CEZ, a.s.

	2019	2020	2021	2022	2023	2024 Prelim	12-18 Months Forward View
(CFO Pre-W/C + Interest) / Interest Expense	8.7x	10.4x	11.8x	15.5x	9.4x	7.9x	7.5x - 8.5x
(CFO Pre-W/C) / Net Debt	27.0%	32.4%	38.3%	55.3%	37.4%	30.6%	23% - 25%
RCF / Net Debt	20.1%	22.2%	20.2%	43.9%	-3.2%	16.9%	17% - 19%

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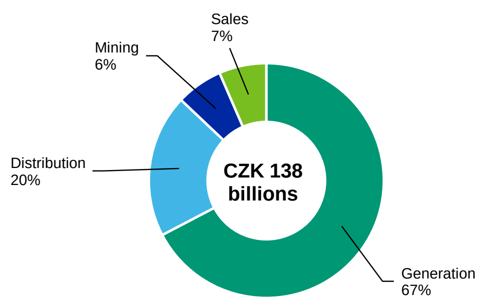
Profile

CEZ, a.s. is one of the largest electric utility companies in Central and Eastern Europe, with 12.1 gigawatts (GW) of installed power generation capacity as of December 2024. CEZ's energy mix consists mainly of nuclear (35%), and coal and lignite (36%) plants based in Czechia, generating 62% of the national output. Following the disposal of its Romanian, Bulgarian and Polish assets, the group's primary areas of operations include the Czech Republic (97% of EBITDA in 2024) and Germany (2.2%). It has a limited presence in France, Slovakia, Italy, Austria and Turkiye.

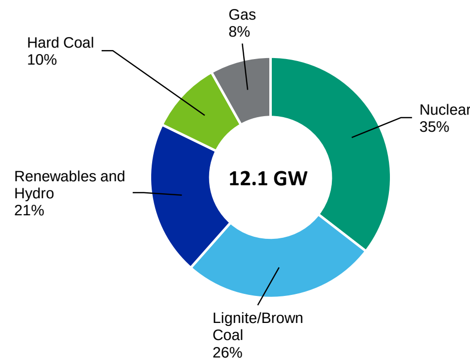
CEZ's core businesses are power generation, which includes traditional energy and renewables; regulated electricity and gas distribution; sales, including supply activities; and mining and other activities, which complement the core business segments.

Exhibit 3
Power generation accounts for the bulk of CEZ's EBITDA
EBITDA breakdown by segment (2024 preliminary)



Sources: Company filings and Moody's Ratings

Exhibit 4
CEZ's installed capacity is dominated by nuclear and coal
Breakdown of installed capacity (2024 preliminary)



Sources: Company filings and Moody's Ratings

CEZ is around 70% owned by the Czech government, while the remaining shares are listed on the Prague and Warsaw stock exchanges. As of the end of March 2024, CEZ had a market capitalisation of around CZK600 billion (€24 billion).

Detailed credit considerations

Locked-in high power prices will continue to support earnings generation in 2025

CEZ is the largest power generator in the Czech Republic. In 2024, the company produced 50.6 terawatt-hour (TWh) or more than 60% of all the electricity in the country. This position is further supported by its vertical integration because the company owns mines covering its lignite needs and had a 38% market share based on number of connections in the electricity supply business as of December 2023.

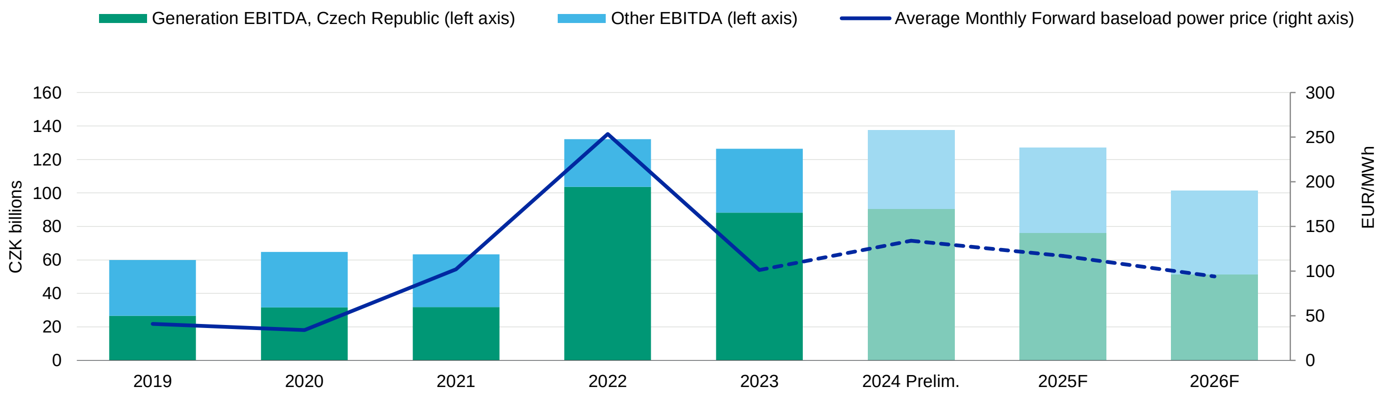
CEZ's generation fleet is stable with 89% of its total generation output represented by nuclear (59%) and coal and lignite (30%) in 2024. The nuclear output reached 30.3 TWh on average over 2022-24, with a load factor well above 80%. Nuclear fuel costs were low at €8/megawatt-hour (MWh), including payment for burnt fuel storage.

Lignite (26% of installed capacity in 2024) is sourced from the company's own mines at fixed costs. However, the generation is exposed to carbon price risk. In 2024, the European carbon futures traded around the €66/tonne mark on average, after reaching an all-time high of more than €100/tonne in February 2023. CEZ expects the average achieved cost for carbon to continue to grow gradually. Assuming 42% efficiency, a €1/tonne increase would translate into an increase of around €85 cents/MWh in marginal costs, weighing on the profitability of unhedged production of lignite-fired plants should carbon prices follow this trajectory. However, carbon prices have remained broadly stable over the past year, mainly trading at a range of €60-70/tonne. As of the end of March 2025, carbon prices are trading at around €70/tonne.

Exhibit 5

CEZ's EBITDA is traditionally sensitive to power prices

EBITDA in CZK billions and power price in €/MWh



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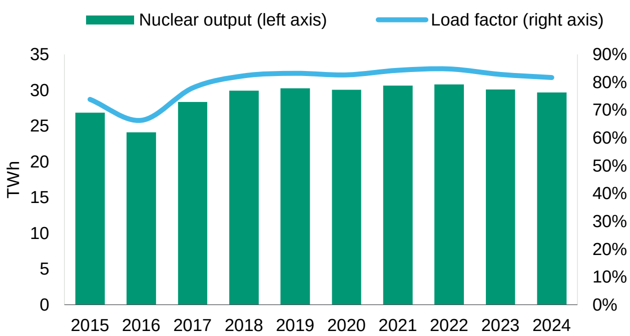
Source: Moody's Ratings

Czech power prices are closely linked to those in Germany, given the interconnections between the two countries. Current power prices in the Czech Republic are almost at the same level as those in Germany; this differential had been narrowing for a few years, and we expect this trajectory to continue over the next few years, as also suggested by the current forward curve (see Exhibit 7). However, the markets will remain volatile as the output of renewables grows and nuclear plants have been shut down in Germany. In this regard, the difference in the evolution of wholesale power prices in the Czech Republic and Germany will be driven by the implementation of the countries' plan to phase out coal. The Czech government appointed in December 2021 accelerated the target for shifting away from coal to 2033, from the previous 2038 recommendation by the coal commission. It remains uncertain whether Germany will be able to shut down its coal plants by 2030.

During 2023 and the first quarter of 2024, power prices decreased significantly before rebounding later in the year. This, in conjunction with already hedged prices, resulted in slightly higher EBITDA from the Generation segment than the company expected. CEZ will continue to benefit from hedges put in place at higher price levels. As of year-end 2024, CEZ had hedged 90% of its output at €117/MWh for 2025, 60% of its output at €94/MWh for 2026 and 28% of its output at €80/MWh for 2027. In addition to power prices, the company hedges its exposure to carbon prices. The company has hedged a majority share of its emissions allowances needs for 2025 and 2026 at €85/tonne and €80/tonne, respectively. Therefore, the hedges are currently out of the money because the carbon price is currently trading at around €70/tonne as of March 2025.

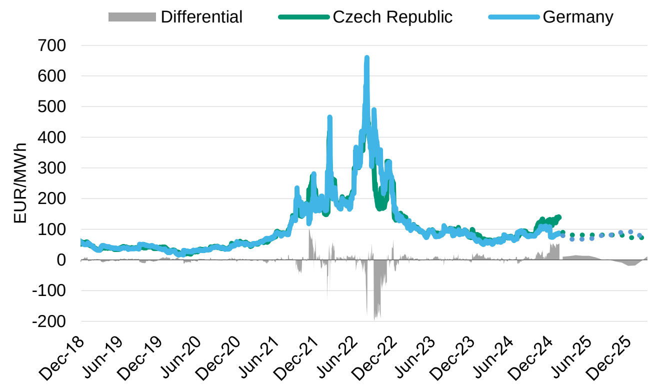
In November 2022, the Czech government introduced a cap on electricity tariffs to protect households from high power prices, similar to measures taken by many other governments across Europe. This measure was funded by higher dividends paid by state-owned companies to support the government's budget; and by a revenue cap on inframarginal rents on nuclear and lignite plants, which returned 90% of revenue exceeding €70/MWh and €180/MWh, respectively, from December 2022 to year-end 2023. Although these inframarginal rents fell away at the end of 2024, a 60% windfall tax remains in place since 2023 and will continue till year-end 2025. The windfall tax is applied to the income exceeding the 2018-21 historical average by 20%. We expect the windfall tax to be abolished after 2025. The company has so far paid CZK30 billion and CZK32 billion in 2023 and 2024, respectively. For 2025, it expects the amount of windfall tax to reach CZK26 billion-CZK30 billion.

Exhibit 6
Stable nuclear production, with a high load factor and low operating costs, will support CEZ's generation profit



Sources: Company filings and Moody's Ratings

Exhibit 7
Electricity prices are likely to remain higher than the historical average despite a sharp decline since the 2022 highs



Dotted lines represent futures prices for monthly contracts.
Sources: FactSet and Moody's Ratings

The addition of GasNet supports the share of regulated earnings, contributing to cash flow stability

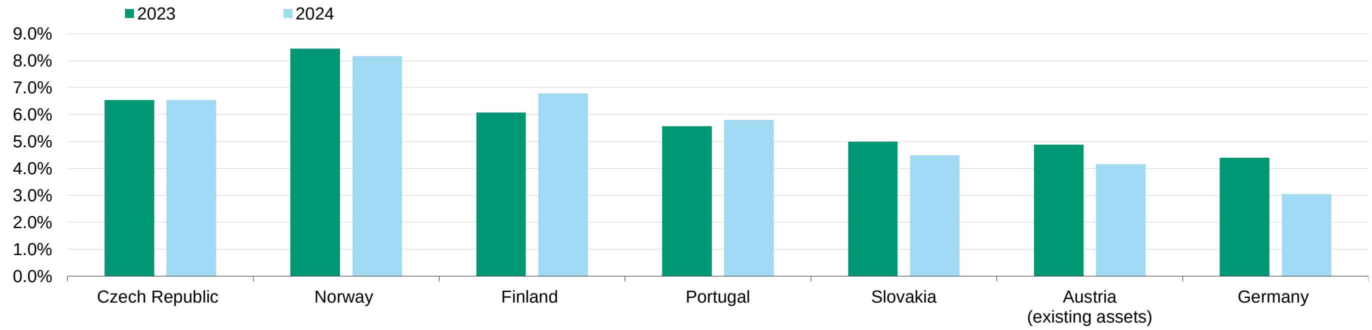
In 2024, CEZ derived around 20% of EBITDA from its regulated electricity distribution network activities, up from 14% in 2023. The significant increase in earnings from the Distribution segment was partly a result of the first-time consolidation of GasNet and correction factors that resulted in an increase in earnings from electricity distribution networks. These higher earnings will be corrected in future years. Pro forma for the full-year contribution of GasNet, which was only consolidated from 1 September 2024, we estimate that the share of regulated earnings would have been around 24% in 2024.

CEZ's regulated electricity distribution activities are derived from the Czech Republic only, where the company owns five of the total eight distribution grids, representing an aggregate regulated asset base (RAB) of CZK167 billion in 2025 and accounting for around 66% of Czech electricity distributed.

Following the acquisition of a 55.21% stake in GasNet, CEZ now operates gas distribution networks in addition to its existing electric distribution networks in the Czech Republic. In 2024, GasNet accounted for CZK3.2 billion (from 1 September 2024) of the total EBITDA of CZK27.2 billion from the Distribution segment. The acquisition of a majority stake in GasNet allows for further consolidation of its foothold in the domestic Czech energy market. Furthermore, controlling both electricity and gas networks when capital spending is deployed for the development of hydrogen could have future benefits. GasNet has a low-risk business profile, underpinned by a predominant position in gas distribution in the Czech Republic with a high market share; transparent, predictable and supportive regulation benefiting from a long track record; asset remuneration that is supported by a high pretax allowed return (WACC) compared with other European regulated networks; and modest investment requirements compared with CEZ's own electricity distribution networks. As of December 2024, GasNet had a RAB of CZK67 billion, which is added to the existing electric distribution network with an RAB of CZK153 billion (in 2024).

The regulatory framework for electricity distribution networks in the Czech Republic is well defined, providing adequate and fair remuneration for operating expenditure and investments, and is generally supportive of CEZ's credit quality. Starting January 2026, the sixth regulatory period (RP) will commence and will run through 2030. The new RP includes a base fixed WACC of 6.9% pretax and a bonus WACC of up to 1.5%, which is subject to the achievement of certain Key Performance Indicators (KPIs) mostly related to investments. The new RP will retain the main principles and key building blocks of the current regulatory framework. The WACC in the current RP — lasting until year-end 2025 — is at a fixed level of 6.54%. As a consequence, we expect CEZ to be able to earn slightly higher returns and potentially more on its RAB under the new RP. The allowed revenue in the Czech Republic is one of the highest among the European peers we rate, and CEZ projects its electricity RAB will grow by 5% per year in this decade to close to CZK200 billion by 2030. The company expects to earn about one-third of its EBITDA from regulated activities in the coming years.

Exhibit 8
Nominal, pretax allowed returns for select electricity distribution regulations in Europe



Allowed pretax return in 2023 and 2024 are estimated for Norway and Portugal, while that in 2024 is estimated for Finland. See Regulated Electric & Gas Networks Outlook 2024 for details of calculation.
Source: Moody's Ratings

Supply in the Czech Republic is growing, underpinned by a stronger market share and tariff increase

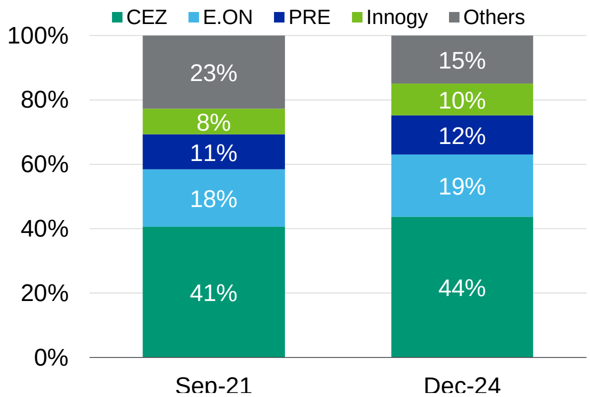
As of December 2024, CEZ was the largest supplier of electricity in the Czech Republic, with a 34% market share. Evolution of market shares has been stable over the last 12 months.

In line with the higher electricity prices during Q4 2021 and over 2022, CEZ gradually increased its market share. The sudden increase in wholesale electricity and gas prices resulted in the collapse of several suppliers, which led to the subsequent switch of almost one million customers to suppliers of last resort (SoLR). These developments led to market consolidation and reduced competition for the remaining suppliers. CEZ is, by law, the SoLR for almost 65% of customers in the Czech Republic. Because the price set by CEZ as a SoLR reflects current market electricity prices, administrative costs and a low profit margin, the short-term credit implication of this development for the company has been neutral. CEZ's electricity customers increased by more than 300,000. The increase in the group's supply market share, enabling economies of scale for this low-margin business, is a credit positive.

Following a gradual decline over 2015-20, electricity consumption in the Czech Republic recovered strongly in 2021 as a result of favourable macroeconomic conditions that boosted demand from industrial and commercial customers. By contrast, in 2022 and 2023, there were contractions of 3.5% and a 4.6%, respectively, in consumption following the successive tariff hikes led by skyrocketing power prices. We expect electricity consumption to start increasing in the coming years, supported by domestic economic growth and an increase in electrification in the economy, including transportation and industries. During 2024, the supply of electricity and gas declined by 8%, mainly reflecting warmer weather. However, there was also a slight decline in the total number of customers, reflecting an increasingly competitive environment in Czechia, which resulted in a 30% increase in the number of customers switching suppliers, compared with the 2023 level.

Exhibit 9

CEZ gained a significant portion of the domestic supply market, following defaults of electricity suppliers in the second half of 2021

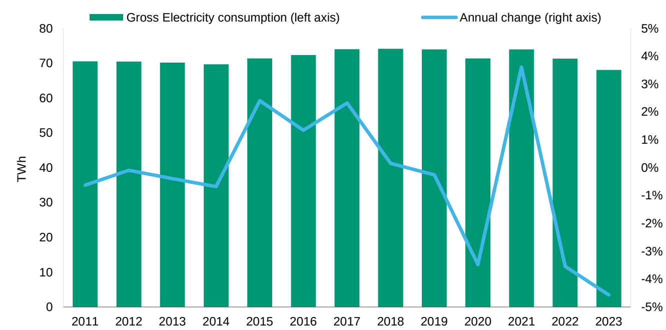


Suppliers' market shares based on connection points.

Sources: Czech electricity and gas market operator (OTE) and Moody's Ratings

Exhibit 10

Electricity consumption in the Czech Republic has been volatile because of the coronavirus pandemic and the significant surge in power prices



Sources: Czech Statistical Office, Czech Energy regulator (ERO) and Moody's Ratings

The 2030 strategic plan focuses on the domestic market, renewables and nuclear generation, as well as customers, increasing capital requirements

In May 2021, CEZ presented a new strategic plan, Vision 2030 - Clean Energy of Tomorrow. The group's long-term strategy aims to decarbonise the group's generation and achieve carbon neutrality by 2040; and focus on customers by developing new energy solutions. The plan was enhanced in 2022 to address the structural changes in Europe's gas procurement, resulting from the Russia-Ukraine conflict.

New renewables capacity will drive decarbonisation while preserving the nuclear fleet's efficiency. CEZ plans to increase its renewables capacity to 4.1 GW by 2030 (up from 2.4 GW as of end 2024), partly subsidised under the Modernisation Fund. Approved by the Czech Parliament in December 2019, the Modernisation Fund aims to support renewable projects in the Czech Republic over 2021-30, providing CZK150 billion in the form of subsidies. The actual amount of subsidies will be determined through auctions handled by the Czech Ministry of Environment and grants will fund no more than 50% of construction costs, or CZK6.2 million-CZK7.3 million per megawatt installed, provided the projects are implemented within 60 months following the receipt of the grant. The electricity generated will be sold at market prices. Under its current plant, CEZ expects to invest CZK32 billion in new renewable capacities over the period 2025-30. However, the current pace of investments into renewables is somewhat slow and would need to increase significantly in order for CEZ to reach its renewables target.

CEZ also plans to increase the production of its existing nuclear plants to more than 32 TWh per year from 30 TWh in 2020, backed by optimised maintenance outages and the extension of the fuel replacement cycle. In addition, CEZ will remain actively involved in the development of new nuclear capacity in the Czech Republic, with the first large power plant scheduled to be commissioned over 2036-38 and the construction of small modular reactors (SMRs) that will gradually start operating over 2030-35 (see the "New nuclear projects would entail significant risks" section).

In parallel, CEZ plans to gradually reduce its coal capacity to 2.3 GW by 2030 from 4.3 GW (as of year-end 2024), and then to entirely exit coal by 2033 — in line with the deadline suggested by the National Energy and Climate Plan approved by the Czech government in October 2023. During the process, it will also seek to terminate burning coal for heating purposes by 2030. CEZ projects its share of coal-fueled generation will be around 28% in 2025, and then decrease to around 9% in 2030 (against a share of 30% as of the end of December 2024). The company supplies its coal from its own mines. Current extraction amounts to around 14 million tons, out of which 30% is sold externally. Extracted coal volume is projected to decline to 8 million tons by 2030, in line with the closure of the company's coal capacity, before ultimate closure occurs by 2033. Supporting the transition, the Czech Republic will receive €1.64 billion in EU grants through the Just Transition Fund programme, adopted by the EU Commission in September 2022.

Finally, to preserve security of energy supply in the Czech Republic, following the sharp reduction in Russian gas flow, CEZ secured an annual quantity of 3 billion cubic meters of gas (equivalent to one-third of the Czech Republic's annual gas consumption) from the new Dutch floating liquefied natural gas terminal operated by N.V. Nederlandse Gasunie (A2 stable) over 2022-27. This contract is neutral to CEZ's credit quality, given the absence of exposure to prices (simultaneous purchases and sales on spot markets, with a payment that occurs 10 days after re-gasification) and volumes because CEZ has options to sell capacity to the Czech government if necessary.

In parallel, Vision 2030 aims to reinforce the services provided to customers through the development of digital solutions in the Czech Republic, including the rollout of digital grids and smart meters, which will improve network reliability and efficiency. CEZ also plans to ramp up the ESCO division, which is specialised in energy services in the Czech Republic, as well as in Germany, Northern Italy and Poland.

Over the next decade, CEZ will continue to focus on its domestic market, after having exited from segments and countries where the group saw limited potential for growth or increased competitive strain on returns. In 2021, CEZ closed the disposal of its Romanian and Bulgarian assets to Macquarie Infrastructure and Real Assets and Eurohold Bulgaria, respectively, for a total consideration of around €1.3 billion. Furthermore, in December 2023, CEZ completed the sale of its share in AKCEZ, Turkiye, to Torunlar Group. In February 2025, the company also completed the divestment of its Polish coal assets.

New nuclear projects would entail significant risks

In July 2019, the Czech government approved a framework plan for the development of a new nuclear plant at the Dukovany site, which will allow the country to remain self-sufficient in power generation after domestic coal runs out and the existing nuclear plants reach the end of their operational life. The framework plan assumes that the company will invest in new nuclear capacity based on a contract with the government.

Per the government's plan, the project will be developed as a dedicated special-purpose vehicle (SPV) held by CEZ. The project is dedicated for the construction of one nuclear power plant with up to 1200 MW of capacity. The contract with the government includes put and call options at various stages of the development of the project, with an obligation for the government to buy the SPV for a price principally corresponding with the cumulative project costs to date in case there is no agreement on the then next phase of the project. In July 2020, a framework agreement to regulate general terms and conditions for the preparation of construction, and an implementation contract for the first phase were signed. During the first phase of the project, CEZ has the option to sell the SPV to the government with compensation for costs incurred of up to CZK4.5 billion.

In September 2021, the government promulgated the required legislative framework for the project under the Low-Carbon Energy law. The latter defines, inter alia, the terms of the power purchase agreement for the new nuclear source and the funding in the form of a repayable financing assistance with 0% interest during construction and at least 2% during the first 30 years of operations. The European Commission approved the main parameters of state support in April 2024. The agreement also includes a contractual instrument to protect investors from certain changes in the legislative or regulatory environment in Czechia.

In March 2022, CEZ launched a tender for an EPC contractor for the new unit after the Ministry of Industry and Trade's approval. Three groups — Electricite de France (Baa1 stable), Westinghouse and Korea Hydro & Nuclear Power Co., Ltd. (KHNP, Aa2 stable) — submitted their initial bids in November 2022. Westinghouse was subsequently not retained and in January 2024, the Czech government asked the two remaining suppliers to complete additional bids, up to four reactors (up to two plants at Dukovany site with an option to construct an additional two new reactors at the Temelin site), which is more than what CEZ initially agreed to. In July 2024, the Czech government announced it had chosen KHNP as the preferred bidder for the construction of two new nuclear plants (pressurised water reactors). The contracts are likely to be finalised by Q2 2025, and the construction of the first reactor is scheduled to start in 2029. CEZ expects a similar state support mechanism to be put in place for the second reactor.

In parallel, CEZ will develop SMRs, allocating space at the Temelin site. SMRs are advanced nuclear reactors with a power capacity of up to 300 MW per unit, which is roughly one-third of the generating capacity of traditional nuclear power reactors. The group expects the commissioning of the first unit in the first half of the next decade. To support the timely delivery of its own SMR units and benefit from its exposure to the SMR supply chain, CEZ acquired 20% of Rolls-Royce SMR in March 2025. The review and approval of antitrust authorities is expected later this year. Regarding financing of SMR's, CEZ anticipates these to obtain financing and operations similar to the construction of the larger nuclear plants.

Overall, the development of the potential new nuclear plants is credit negative for CEZ. The construction of nuclear plants involve significant execution risk — long lead time, high costs and complex engineering — as demonstrated by the long delays and cost overruns for the ongoing projects in other European countries. The Czech government estimates that the construction of more than one reactor could bring cost savings of up to 20% per reactor; however, it also estimates that the cost for the two new builds will amount to some CZK200 billion (€7.9 billion) per reactor. The government has said that a working group led by the Ministry of Finance is working towards putting in place a model for the financing of the incremental units. Ultimately, the balance of risks between CEZ and the government will be decisive with regard to the nuclear construction project's impact on CEZ's credit profile. We expect this to become clearer by H2 2025 and before the signing with KHNP. The construction of the first plant is likely to start in 2029 and be ready for commercial operations in 2038. The second plant is likely to be commissioned a few years later.

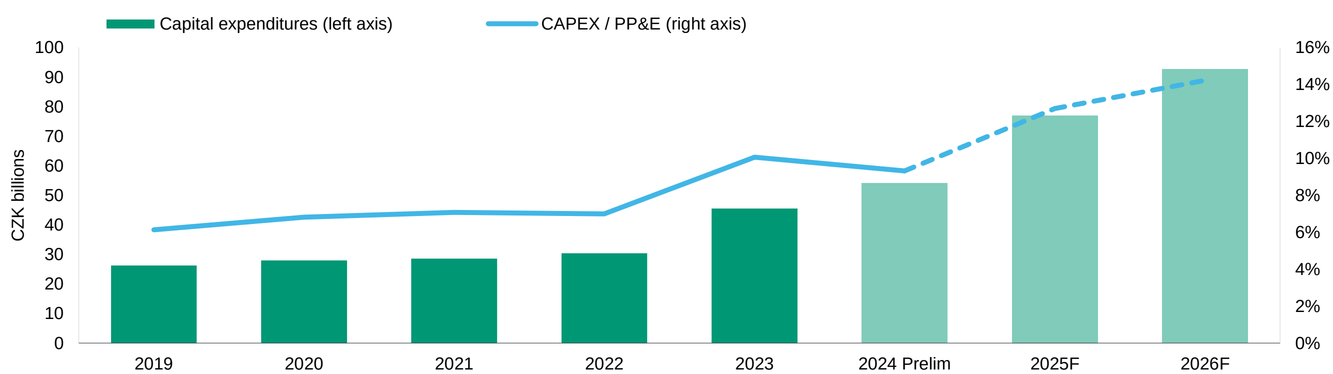
Acquisition of GasNet stake weakens credit metrics; long-term credit metrics will be subject to the evolution of investments and dividend policy

CEZ has consolidated GasNet in its reporting upon closing of the acquisition on 1 September 2024. As of the end of December 2024, GasNet added net debt of about CZK56 billion to CEZ's consolidated net debt figure, while contributing EBITDA of CZK3.9 billion for 2024. Consequently, CEZ Group's consolidated FFO/net debt, calculated using preliminary 2024 accounts, deteriorated to around 30%, down from 37% in 2023.

Moreover, given the shift towards low-carbon capacity to offset the decline in coal power plants' output, CEZ will significantly increase its capital spending programme, which it estimates will amount to around CZK430 billion over 2025-30 (out of which CZK121 million relates to investments in the new nuclear capacities). Capital spending will be majority spent on maintenance, and the rest will be spent on growth and acquisitions. In 2023 and 2024, CEZ invested about CZK98 billion, which means the company plans to spend, on average, CZK71 billion per year until the end of this decade.

Exhibit 11

Capital spending will increase because of CEZ's ambitious capital spending programme



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Sources: Moody's Ratings and Moody's Ratings forecasts

In 2022, CEZ updated its dividend policy, lowering the targeted payout to 60%-80% of consolidated adjusted net income from 80%-100% over 2019-21. However, the actual payout exceeded the range over the last three years, at 100%-122% of the adjusted net income reported over 2020-2022. In 2024, the company paid dividends equaling 80% (upper level of target payout ratio) of adjusted net income.

CEZ did not announce any credit-enhancing measures together with the announcement of the GasNet transaction. However, the future level of dividend payments and scale of capital spending will be important drivers of the company's credit quality over the next few years.

The consolidation of GasNet increases structural subordination

The consolidation of GasNet has led to increased structural subordination in CEZ's capital structure in view of the fairly substantial amount of debt remains at the level of GasNet. However, the structural subordination does not lead to any notching of CEZ's own debt instruments because the company only has an immaterial amount of other priority debt sitting at other subsidiaries and because of our expectation that the level of priority debt will — as a proportion of total debt — diminish over the next three years, in line with increased debt issuance at CEZ to finance upcoming capital spending. However, there is limited room for further issuance of priority debt — as a portion of total debt — in the company's capital structure at the current rating level.

Government ownership supports credit quality

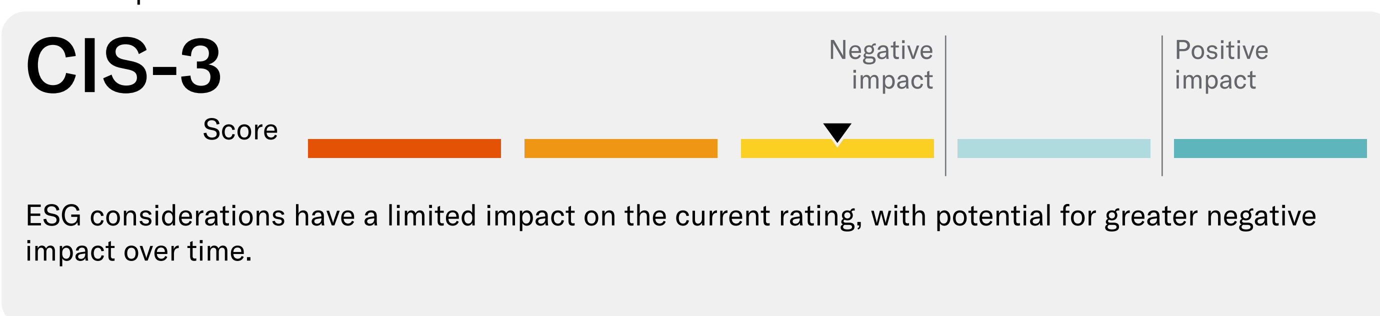
CEZ is 70% owned by the Czech government, and we expect the state to continue to hold a majority stake in the company. The company plays a critical role within the Czech energy sector and has a high strategic importance to the overall Czech economy because it is one of the largest employers and contributors to the state budget.

In 2022, the Czech government announced its intention to increase its control over energy sources in the Czech Republic, including a transformation of CEZ. Within this context, plans have been put forward to potentially split CEZ. However, currently, there are no concrete proposals being discussed.

ESG considerations

CEZ, a.s.'s ESG credit impact score is CIS-3

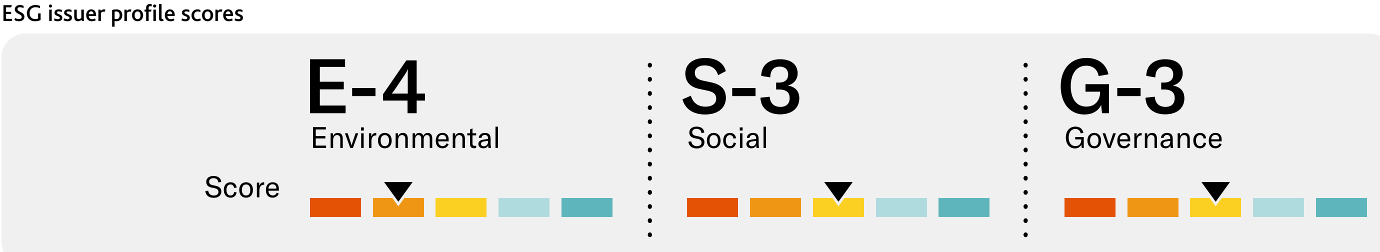
Exhibit 12
ESG credit impact score



Source: Moody's Ratings

CEZ's Credit Impact Score is **CIS-3**, reflecting highly negative environmental risks, and moderate social and governance risks.

Exhibit 13
ESG issuer profile scores



Source: Moody's Ratings

Environmental

CEZ's **E-4** issuer profile score reflects risks associated with the company's exposure to waste and pollution resulting from its significant involvement in mining (59% market share in the Czech Republic, or 14.0m tons of coal) as well as the risks associated with nuclear decommissioning. The group faces a moderately negative risk from the carbon transition, given its reliance on fossil fuels, including coal, lignite and natural gas (44% of 2024 installed capacity).

Social

The **S-3** issuer profile score reflects the fundamental utility risk that demographics and societal trends could include social pressures or public concern around affordability, utility reputational or environmental concerns. In turn, these pressures could result in adverse political intervention into utility operations. The group is also exposed to moderate health and safety risks associated with its mining business (c. 16% of workforce).

Governance

CEZ's **G-3** issuer profile reflects a concentrated ownership structure, a dividend policy that in some years has seen a pay out ratio above 100%, and a sizeable capital expenditure to 2030 which will result in a leverage increase (to 3x-3.5x EBITDA in 2030 from 1.2x in 2023). The governance profile is however supported by low to neutral scores on financial strategy and risk management, management credibility and track record, organizational structure, compliance and reporting.

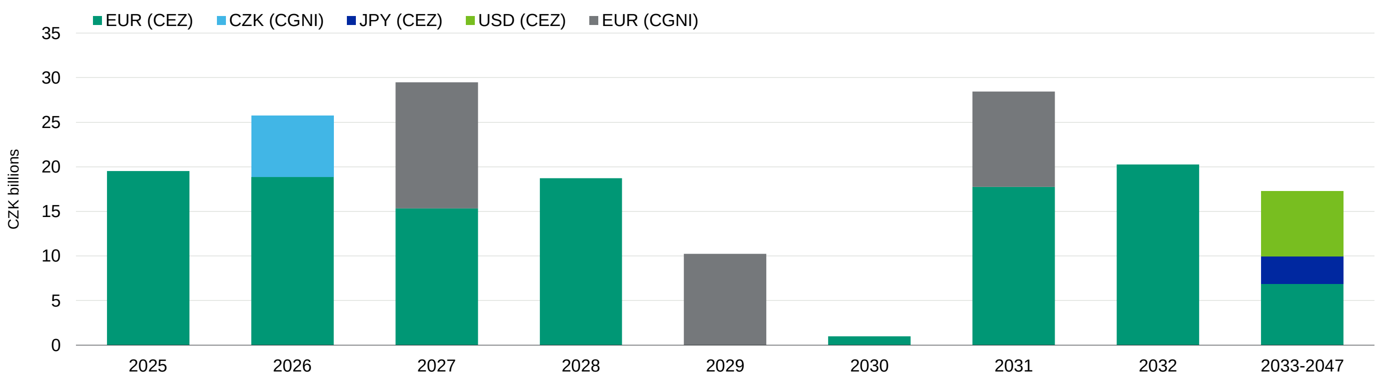
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

As of the end of December 2024, CEZ's liquidity was supported by CZK40.3 billion (around €1.6 billion) of cash and cash equivalents and CZK68.3 billion (around €2.7 billion) of undrawn committed facilities.

We expect CEZ to maintain sound liquidity over the next 12 months. However, its own cash flow is unlikely to be sufficient to cover all of the company's sizeable capital spending and dividend payments. Consequently, we expect the company to draw more frequently on its committed facilities over the next two to three years.

Exhibit 14
Bond maturity profile
As of the end of December 2024



CGNI - Czech Gas Network Investments S.a r. l.
Sources: Company filings and Moody's Ratings

Methodology and scorecard

We rate CEZ in accordance with our Unregulated Utilities and Unregulated Power Companies rating methodology. The company's BCA is one notch lower than the scorecard-indicated outcome of Baa1.

Given its 70% ownership by the Czech government, CEZ is considered a government-related issuer under our Government-Related Issuers rating methodology. Accordingly and based on our estimate of strong support from and moderate dependence on the government, the Baa1 rating factors in one notch of uplift from the company's BCA of baa2.

Exhibit 15
Rating factors
CEZ, a.s.

Unregulated Utilities and Unregulated Power Companies Industry Scorecard	Current LTM Sep-24		Moody's 12-18 Month forward view	
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	Baa	Baa	Baa	Baa
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)	12.1x	A	7.5x - 8.5x	A
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	44.6%	A	23% - 25%	Baa
c) RCF / Net Debt (3 Year Avg)	22.5%	Baa	17% - 19%	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa1
Government-Related Issuer				**Factor**
a) Baseline Credit Assessment				baa2
b) Government Local Currency Rating				Aa3
c) Default Dependence				Moderate
d) Support				Strong
e) Actual Rating Assigned				Baa1

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Sources: Moody's Financial Metrics™ and Moody's Ratings

Appendix

Exhibit 16
Peer comparison
CEZ, a.s.

	CEZ, a.s.			Vattenfall AB			EnBW Energie Baden-Wuerttemberg AG			Fortum Oyj		
	Baa1 Negative			A3 Stable			Baa1 Stable			Baa2 Stable		
(in $ millions)	FYE Dec-22	FYE Dec-23	LTM Sep-24	FYE Dec-22	FYE Dec-23	LTM Sep-24	FYE Dec-22	FYE Dec-23	LTM Sep-24	FYE Dec-22	FYE Dec-23	LTM Sep-24
Revenue	13,827	15,860	14,924	23,789	27,368	23,768	59,023	48,047	39,629	8,193	7,257	6,747
EBITDA	5,730	5,787	5,563	2,570	4,380	5,471	4,086	6,551	4,794	3,638	2,392	2,299
Total Assets	48,248	36,116	37,556	75,974	58,404	57,838	74,178	71,492	70,804	26,506	21,967	21,072
Total Debt	11,606	9,732	12,691	23,758	18,329	13,697	23,722	29,376	30,735	9,600	7,825	7,272
Net Debt	9,989	9,245	10,993	7,608	13,350	6,513	12,227	13,709	18,463	5,683	3,204	2,523
FFO / Net Debt	55.3%	34.2%	36.2%	49.8%	24.3%	56.2%	27.7%	49.6%	25.9%	32.3%	55.4%	63.7%
RCF / Net Debt	43.9%	-3.2%	21.2%	15.1%	15.0%	46.2%	24.0%	21.5%	21.9%	13.0%	11.1%	22.9%
(FFO + Interest Expense) / Interest Expense	15.5x	8.7x	12.1x	5.4x	5.4x	6.4x	5.0x	7.2x	5.1x	7.8x	6.5x	7.0x
Debt / Book Capitalization	46.0%	38.3%	44.5%	61.8%	53.1%	40.1%	59.8%	59.7%	58.0%	53.3%	44.3%	42.1%

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 17
Moody's-adjusted debt reconciliation
CEZ, a.s.

(in CZK millions)	2019	2020	2021	2022	2023	LTM Sep-24
As reported total debt	171,893	151,827	137,890	202,146	168,910	238,129
Non-Standard Adjustments	29,301	32,187	43,734	60,528	48,605	48,605
Moody's adjusted total debt	201,194	184,014	181,624	262,674	217,515	286,734

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 18

Overview on select historical Moody's-adjusted financial data

CEZ, a.s.

(in CZK millions)	2019	2020	2021	2022	2023	LTM Sep-24
INCOME STATEMENT						
Revenue	209,391	215,644	220,354	322,203	351,888	343,155
EBITDA	57,566	65,521	66,074	133,519	128,408	127,905
EBIT	28,550	37,237	34,296	100,755	93,034	91,334
Interest Expense	6,631	6,149	5,510	8,606	9,232	7,264
Net income	17,508	24,757	22,233	74,732	33,401	27,076
BALANCE SHEET						
Net Property Plant and Equipment	427,827	410,095	402,803	434,781	451,655	566,628
Total Assets	690,255	687,176	1,167,966	1,091,942	807,185	848,547
Total Debt	201,194	184,014	181,624	262,674	217,515	286,734
Cash & Cash Equivalents	12,312	6,064	26,640	36,609	10,892	38,361
Net Debt	188,882	177,950	154,984	226,065	206,623	248,373
Total Liabilities	407,675	409,010	971,960	799,248	501,609	549,427
CASH FLOW						
Funds from Operations (FFO)	50,904	57,592	59,315	124,987	70,740	87,410
Cash Flow From Operations (CFO)	38,574	67,683	54,757	847	134,071	108,534
Dividends	12,861	18,139	27,963	25,649	77,408	28,151
Retained Cash Flow (RCF)	38,043	39,453	31,352	99,338	(6,668)	59,259
Capital Expenditures	(26,232)	(27,936)	(28,519)	(30,412)	(41,516)	(48,218)
Free Cash Flow (FCF)	(519)	21,608	(1,725)	(55,214)	14,511	32,165
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	8.7x	10.4x	11.8x	15.5x	8.7x	12.1x
LEVERAGE						
FFO / Net Debt	27.0x	32.4%	38.3%	55.3%	34.2%	32.6%
RCF / Net Debt	20.1x	22.2%	20.2%	43.9%	-3.2%	21.2%
Debt / EBITDA	3.5x	2.8x	2.7x	2.0x	1.7x	2.2x
Net Debt / EBITDA	3.3x	2.7x	2.3x	1.7x	1.6x	1.9x

All data based on adjusted financial data, which follow our Financial Statement Adjustments in the Analysis of Nonfinancial Corporations methodology. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Ratings

Exhibit 19

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

Source: Moody's Ratings

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