

Tear Sheet:

**CEZ, a. s.**

April 3, 2025

**We anticipate a gradual increase in regulated activities in CEZ's business mix, which we view as a credit support.** We expect the full-year consolidation of recently acquired CGNI, coupled with moderating power prices, will result in the share of regulated activities increasing to 34%-36% in 2026, up from 14% in 2023. We therefore continue to apply our media volatility table to benchmark CEZ's credit metrics. We see the medium-term prospects of gas networks in Czechia as benefiting from the phase-out of coal; we believe, however, that longer term prospects will depend on the decarbonization of heavy industry, with hydrogen uses subject to technological progress, despite over 70% of CEZ's gas grid technically being able to transport it.

**CEZ's investments will be mostly allocated to nuclear generation and the group's distribution grids, with back-up, power generation capacity, and renewables opportunities still in question.** We expect its capital expenditure (capex) to increase to about CZK77 billion in 2025 and CZK93 billion in 2026, of which around 35% will be allocated to nuclear power generation, and close to 25%-30% to CEZ's distribution networks. We expect around 15%-20% of investments will be allocated to the Energotrans heat power plant, and a small portion to renewable generation (hydro and solar). The creation of capacity markets could accelerate investments in CCGT plants given the closure of dispatchable coal and lignite capacity. We also believe that capacity closures, and a widening gap between power prices in the German and Czech markets, could encourage CEZ to invest in renewables given the limited transmission capacity between the two countries. However, accelerating investments in renewables remains challenging in the short term. We expect the rest of the capex will go to sales and other less-representative segments.

**We forecast funds from operations (FFO) to debt to decline to about 20% by 2026, from about 24% in 2025, which we view as commensurate with the rating.** We expect above-historical-levels achieved prices, plus a 30% increase in regulated EBITDA, should somewhat compensate for a 43% capex increase; the last year of CEZ paying windfall taxes (just over 20% of FFO); and a dividend payout ratio of 70% of net income. Our forecast of FFO to debt declining to about 20% in 2026 reflects a marked decline in achieved power prices and a further 20% capex increase from 2025 levels. Despite the downward trend in credit metrics, we expect CEZ will remain supportive of a financial policy of posting FFO to debt close to 20%, supported by its shareholder.

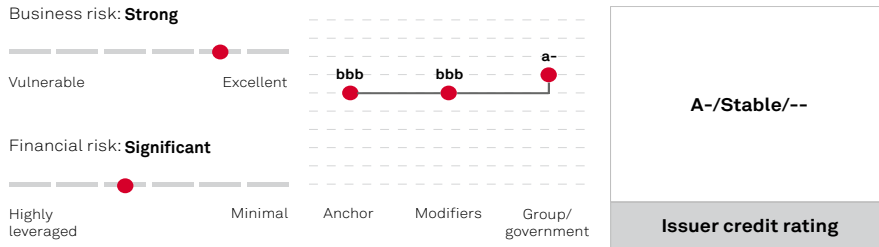
**Our rating reflects our assumption that the investment framework for new nuclear plants will remove risks for CEZ.** Negotiations are ongoing between the Czech government, through Elektrarna Dukovany II, and CEZ on the construction of two units at the Dukovany site. We

Primary contact

**Gerardo Leal**  
Frankfurt  
49-69-33-999-191  
gerardo.leal  
@spglobal.com

expect an agreement on the two units will be reached by Sept. 30, 2025. We assume that the agreement will remove construction, offtake, and financial risks for CEZ. However, any change to these assumptions could immediately pressure CEZ’s credit quality, given our view that carrying the higher proportion of such investments would expose CEZ to capex volumes that we view as too large for the size of its balance sheet, and the risk of significant cost overruns, characteristic of nuclear power projects.

## Ratings Score Snapshot



## 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 CZK141.2 billion, of which close to 20% corresponded to regulated power and gas grids and the rest mostly 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. As of Dec. 31, 2024, CEZ's market capitalization was CZK514 billion.

In July 2024, the group received four bids for its Polish coal assets and, in November 2024, it concluded an agreement with ResInvest Group for the sale of these assets. The settlement took place in February 2025.

In August 2024, CEZ finalized the acquisition of a 55.21% stake in GasNet, which is the biggest gas distributor in Czechia. From September, this has been fully consolidated within the group. As such, we expect GasNet will contribute CZK10 billion per year to the company's regulated activities.

## Outlook

The stable outlook indicates our view that CEZ’s FFO to debt will converge to around 20% over the next two years, thanks to still supportive power prices and the full-year contribution of GasNet to the group’s EBITDA from 2025 onward, and despite windfall taxes, and an

acceleration in capex in 2025. We consider FFO to debt of about 20% to be commensurate with CEZ's 'bbb' stand-alone credit profile (SACP) following the acquisition.

It also reflects our expectation that more than one-third of CEZ's EBITDA will come from regulated grids from 2026, which currently supports our view of CEZ's business risk profile.

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 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
- Increased political risk depressing CEZ's financial metrics, and leading, for example, to a largely negative ratio of discretionary cash flow (DCF) to debt.

## 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 raise the SACP by one notch if CEZ's FFO to debt remains sustainably above 25% and its DCF 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	390,188	362,949	365,894	363,571
Gross profit	224,822	281,053	336,384	340,323	258,384	240,459	245,145	250,613
EBITDA (reported)	63,525	131,820	125,148	137,710	123,069	90,547	86,170	86,287
Plus: Operating lease adjustment (OLA) rent	--	--	--	--	--	--	--	--
Plus/(less): Other	(11,734)	3,486	2,989	3,493	4,061	4,266	4,910	5,587
EBITDA	51,791	135,306	128,137	141,203	127,130	94,814	91,079	91,874
Less: Cash interest paid	(4,704)	(4,496)	(6,552)	(5,799)	(7,573)	(8,878)	(10,390)	(11,048)
Less: Cash taxes paid	(3,550)	(5,409)	(60,313)	(49,594)	(37,714)	(5,959)	(5,209)	(5,508)
Plus/(less): Other	--	--	--	--	--	--	--	--
Funds from operations (FFO)	43,537	125,401	61,272	85,810	81,843	79,977	75,480	75,317

## CEZ a.s.--Forecast summary

EBIT	16,182	103,724	96,686	99,706	75,023	45,915	44,007	46,412
Interest expense	4,751	6,504	9,909	10,700	9,263	10,568	12,080	12,738
Cash flow from operations (CFO)	58,867	4,754	137,090	123,859	79,610	78,733	73,983	74,492
Capital expenditure (capex)	31,937	33,610	44,315	53,002	76,080	91,371	81,462	61,827
Free operating cash flow (FOCF)	26,930	(28,856)	92,775	70,857	3,529	(12,639)	(7,478)	12,665
Dividends	27,963	25,649	77,435	28,410	18,407	18,222	15,109	12,330
Share repurchases (reported)	--	--	--	--	--	--	--	--
Discretionary cash flow (DCF)	(1,033)	(54,505)	15,340	42,447	(14,878)	(30,861)	(22,587)	336
Debt (reported)	137,881	202,146	168,910	246,149	265,920	291,749	290,039	291,414
Plus: Lease liabilities debt	--	--	--	--	--	--	--	--
Plus: Pension and other postretirement debt	--	--	--	--	--	--	--	--
Less: Accessible cash and liquid Investments	(27,139)	(46,461)	(17,549)	(43,401)	(39,932)	(30,988)	(24,175)	(18,544)
Plus/(less): Other	77,586	101,465	109,575	120,230	109,045	109,045	109,045	109,045
Debt	188,328	257,150	260,936	322,978	335,033	369,807	374,909	381,915
Equity	162,840	260,261	245,601	250,914	267,639	281,023	294,337	311,229
FOCF (adjusted for lease capex)	26,930	(28,856)	92,775	70,857	3,529	(12,639)	(7,478)	12,665
Interest expense (reported)	4,206	5,013	6,299	6,561	6,635	7,577	8,457	9,061
Capex (reported)	32,226	33,948	44,792	54,116	77,019	92,672	83,394	63,814
Cash and short-term investments (reported)	26,640	46,361	17,549	43,401	39,932	30,988	24,175	18,544
<b>Adjusted ratios</b>								
Debt/EBITDA (x)	3.6	1.9	2.0	2.3	2.6	3.9	4.1	4.2
FFO/debt (%)	23.1	48.8	23.5	26.6	24.4	21.6	20.1	19.7
FFO cash interest coverage (x)	10.3	28.9	10.4	15.8	11.8	10.0	8.3	7.8
EBITDA interest coverage (x)	10.9	20.8	12.9	13.2	13.7	9.0	7.5	7.2
CFO/debt (%)	31.3	1.8	52.5	38.3	23.8	21.3	19.7	19.5
FOCF/debt (%)	14.3	(11.2)	35.6	21.9	1.1	(3.4)	(2.0)	3.3
DCF/debt (%)	(0.5)	(21.2)	5.9	13.1	(4.4)	(8.3)	(6.0)	0.1
Lease capex-adjusted FOCF/debt (%)	14.3	(11.2)	35.6	21.9	1.1	(3.4)	(2.0)	3.3
Annual revenue growth (%)	7.3	25.0	19.7	1.2	14.7	(7.0)	0.8	(0.6)
Gross margin (%)	100.0	100.0	100.0	100.0	66.2	66.3	67.0	68.9
EBITDA margin (%)	23.0	48.1	38.1	41.5	32.6	26.1	24.9	25.3
Return on capital (%)	4.0	23.9	18.9	18.5	12.8	7.3	6.7	6.8
Return on total assets (%)	1.7	9.1	10.0	11.5	8.2	4.8	4.5	4.7
EBITDA/cash interest (x)	11.0	30.1	19.6	24.3	16.8	10.7	8.8	8.3
EBIT interest coverage (x)	3.4	15.9	9.8	9.3	8.1	4.3	3.6	3.6
Debt/debt and equity (%)	53.6	49.7	51.5	56.3	55.6	56.8	56.0	55.1
Debt fixed-charge coverage (x)	10.9	20.8	12.9	13.2	12.5	8.0	6.3	5.3
Debt/debt and undepreciated equity (%)	53.6	49.7	51.5	56.3	55.6	56.8	56.0	55.1

## CEZ a.s.--Forecast summary

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
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
<b>Adjusted ratios</b>						
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.	EnBW Energie Baden- Wuerttemberg AG	Engie S.A.	SSE PLC	Enel SpA
Foreign currency issuer credit rating	A-/Stable/--	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2

## CEZ a.s.--Peer Comparisons

Local currency issuer credit rating	A-/Stable/--	A-/Stable/A-2	BBB+/Stable/A-2	BBB+/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual	Annual
Period ending	2024-12-31	2023-12-31	2024-12-31	2024-03-31	2023-12-31
Mil.	CZK	CZK	CZK	CZK	CZK
Revenue	340,323	1,095,861	1,859,968	309,251	2,346,838
EBITDA	141,203	148,856	382,995	95,352	468,241
Funds from operations (FFO)	85,810	114,501	304,401	78,846	297,468
Interest	10,700	21,740	71,463	12,990	100,177
Cash interest paid	5,799	11,958	52,639	5,558	97,707
Operating cash flow (OCF)	123,859	22,414	308,735	110,575	356,430
Capital expenditure	53,002	103,205	228,023	71,422	305,113
Free operating cash flow (FOCF)	70,857	(80,791)	80,712	39,153	51,317
Discretionary cash flow (DCF)	42,447	(91,596)	(24,720)	10,285	(79,144)
Cash and short-term investments	43,401	139,069	426,564	30,635	164,043
Gross available cash	43,401	199,917	451,813	30,635	164,043
Debt	322,978	284,946	1,295,794	277,418	1,865,542
Equity	250,914	422,361	985,673	321,219	1,036,227
EBITDA margin (%)	41.5	13.6	20.6	30.8	20.0
Return on capital (%)	18.5	18.2	10.7	12.8	9.4
EBITDA interest coverage (x)	13.2	6.8	5.4	7.3	4.7
FFO cash interest coverage (x)	15.8	10.6	6.8	15.2	4.0
Debt/EBITDA (x)	2.3	1.9	3.4	2.9	4.0
FFO/debt (%)	26.6	40.2	23.5	28.4	15.9
OCF/debt (%)	38.3	7.9	23.8	39.9	19.1
FOCF/debt (%)	21.9	(28.4)	6.2	14.1	2.8
DCF/debt (%)	13.1	(32.1)	(1.9)	3.7	(4.2)

## 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.

### Principal liquidity sources

We expect liquidity sources over the 12 months from Dec. 31, 2024, to be:

- Unrestricted cash and liquid securities of CZK43.4 billion;

### Principal liquidity uses

We expect that principal liquidity uses over the same period will include:

- Debt maturities of about CZK29 billion;
- Annual capex of about CZK77 billion; and
- A dividend of about CZK18.4 billion.

- Availability of about CZK63.9 billion under various committed back-up facilities maturing after 12 months. This is split across over 20 facilities and 13 institutions;
- Cash FFO of about CZK79 billion; and
- Proceeds from disposals of the Polish assets, already signed, amounting to about CZK3.3 billion.

## Environmental, Social, And Governance

We assess CEZ's management and governance score as neutral. Over the past decade, CEZ has committed to generating carbon-neutral electricity by 2040 and has implemented several measures to reduce its carbon dioxide 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 CO<sub>2</sub>/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 TWh, 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, renewable energy ambitions have increased, and the country's climate and energy plan envisage a significant increase in the share of production it targets from renewables to 22% in 2030 from 13.0% in 2020, or approximately 1 gigawatt of solar capacity.

We expect that CEZ will be an important operator in the Czech Republic, but that it will require significant investments. CEZ's nuclear activities also pose several governance risks, as we believe that the uncertainty surrounding the government's decision on future nuclear reactor construction will continue to limit the long-term visibility of the company's overall structure and strategic directions.

**Rating Component Scores**

<b>Foreign currency issuer credit rating</b>	<b>A-/Stable/--</b>
<b>Local currency issuer credit rating</b>	<b>A-/Stable/--</b>
<b>Business risk</b>	<b>Strong</b>
Country risk	Intermediate
Industry risk	Intermediate
Competitive position	Strong
<b>Financial risk</b>	<b>Significant</b>
Cash flow/leverage	Significant
<b>Anchor</b>	<b>bbb</b>
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)
<b>Stand-alone credit profile</b>	<b>bbb</b>

## 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: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- ARCHIVE | Criteria | Corporates | Utilities: Key Credit Factors For The Regulated Utilities Industry, Nov. 19, 2013



**CEZ, a. s.**

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

Copyright © 2025 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.spglobal.com/ratings](http://www.spglobal.com/ratings) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.spglobal.com/usratingsfees](http://www.spglobal.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.