CREDIT OPINION
23 May 2025

Update

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RATINGS

CEZ, a.s.

Domicile	Prague, 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.

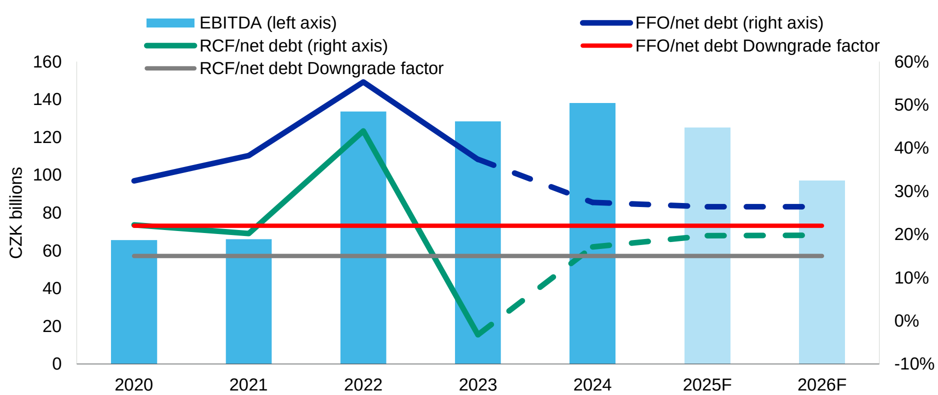
Update following affirmation of Baa1 rating, outlook changed to positive

Summary

CEZ, a.s.'s (Baa1 positive) 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; the relatively stable and predictable cash flow generated by its electricity and gas distribution activities in the Czech Republic; and the support assumptions embedded in the ratings due to its 70% ownership by the Government of 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 the new solar, gas and nuclear capacity in the Czech Republic, and continued large investments into its distribution network.

Exhibit 1
We expect CEZ to digest last year's acquisition of GasNet without weakening its credit metrics below the threshold set for maintenance of the current rating.



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 originating from 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

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

Rating outlook

The positive outlook on CEZ's ratings reflects our view that the removal of substantially all of the construction and commissioning risks associated with EDU II – the vehicle set up to handle construction of the country's two new nuclear plants and previously 100% owned by CEZ – illustrates a continued focus by the government on CEZ's financial profile and its policy to place the company in a position where it can manage the energy transition and associated investment in Czechia. CEZ is a government-related issuer, owned 70% by the Government of Czech Republic, and its rating reflects our view on its standalone credit quality, indicated by its Baseline Credit Assessment (BCA) of baa2 and a one-notch uplift to account for the probability of government support if required, based on "strong" support and "very high dependence". Nevertheless, given the recent transaction and the consequent strong illustration of government support, a further one-notch uplift reflecting the increased probability of government support in an adverse situation could be warranted once the transaction is completed and appears unlikely to be reversed.

Factors that could lead to upgrade

We could upgrade CEZ's BCA and ratings if it successfully executes its long-term strategy, while preserving its balance-sheet strength, enabling its funds from operations (FFO)/net debt to be at least in the high 20s in percentage terms.

We could also upgrade CEZ's rating if the upcoming election in Czechia does not result in a reversal of its significantly reduced risk exposure associated with new nuclear construction, which would hence underpin our view on enhanced government support.

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 FFO/net debt at least in the low 20s and retained cash flow (RCF)/net debt in the mid teens in percentage terms; or it eventually becomes entangled in the development of new nuclear projects in Czechia to the extent that it is exposed to potential construction risks. 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.

	2020	2021	2022	2023	2024	12-18 Months Forward View
(CFO Pre-W/C + Interest) / Interest Expense	10.4x	11.8x	15.5x	9.4x	8.8x	7.5x - 8.5x
(CFO Pre-W/C) / Net Debt	32.4%	38.3%	55.3%	37.4%	30.6%	25% - 28%
RCF / Net Debt	22.2%	20.2%	43.9%	-3.2%	16.9%	17% - 19%

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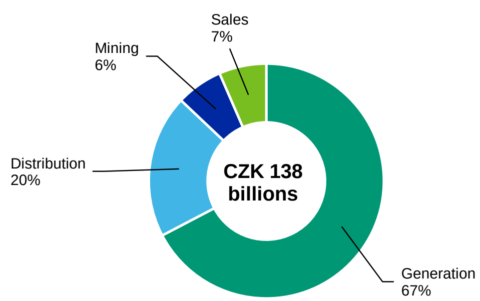
Profile

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 primarily consists 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.

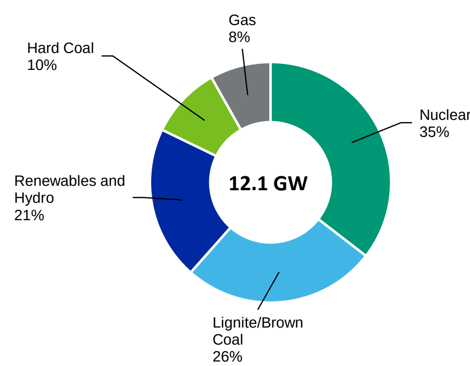
CEZ's core businesses are power generation, which includes traditional energy and renewables; regulated electricity and gas distribution; sales, including supply activities; and mining and other activities, which complement its core business segments.

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



Sources: Company filings and Moody's Ratings

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



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 mid-May 2025, CEZ had a market capitalisation of around CZK650 billion (€26 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 34% market share based on volumes in the electricity supply business as of December 2024.

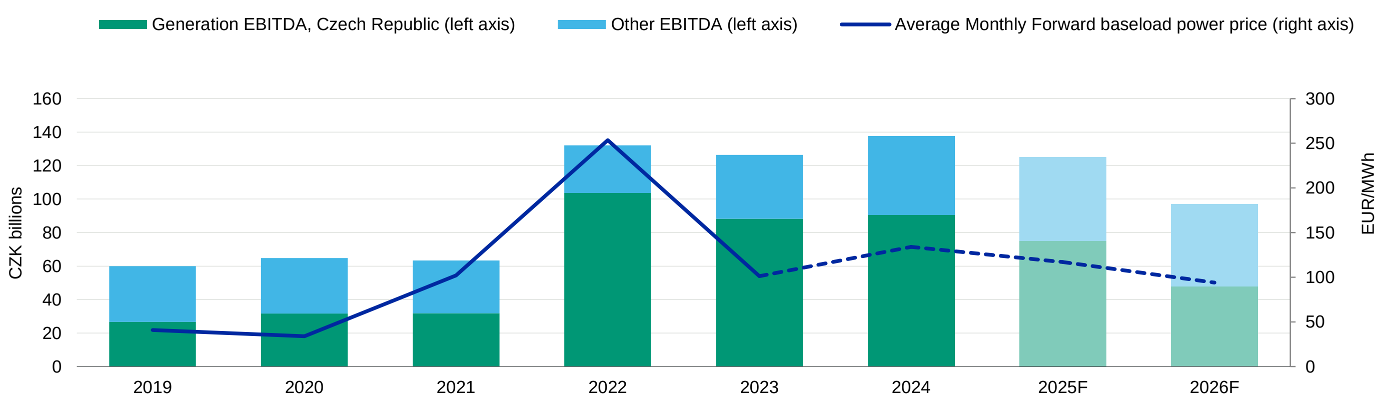
CEZ's generation fleet is stable, with 89% of its total generation output represented by nuclear (59%) and coal and lignite (30%) in 2024. The nuclear output reached 30.3 TWh on average over 2022-24, with a load factor well above 80%. Nuclear fuel costs were low at €8/megawatt-hour (MWh), including payment 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, which would weigh 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 middle of May 2025, carbon prices were trading at around €73/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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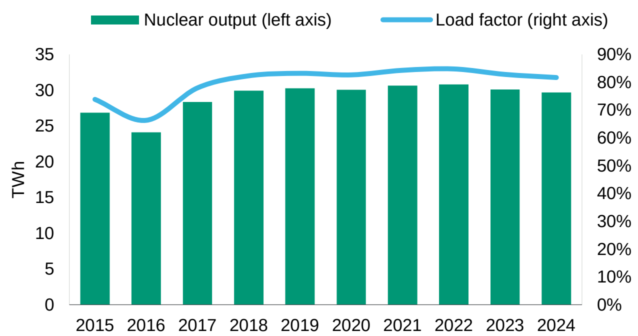
Source: Moody's Ratings

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 increases 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 phasing out coal to 2033, from the previous 2038 recommendation of 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 the 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. As at the end of the first quarter of 2025, 67% of its output for 2026 was hedged at €94/MWh and 35% 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 share of its emissions allowances needs for 2025 and 2026 at €79/tonne and €75/tonne, respectively.

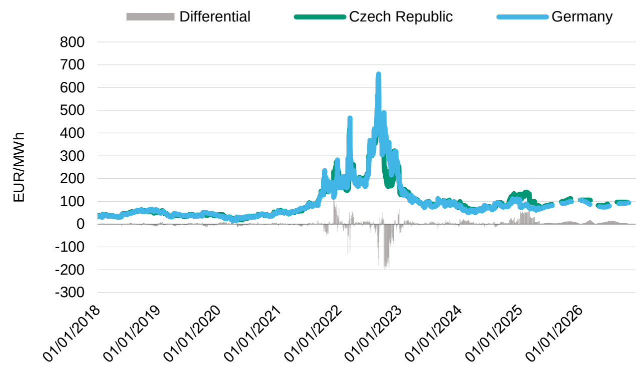
In November 2022, the Czech government introduced a cap on electricity tariffs to protect households from high power prices, similar to measures taken by many other governments across Europe. This initiative was funded by the increased dividends from state-owned companies to support the government's budget; and a revenue cap on inframarginal rents from nuclear and lignite plants, which returned 90% of revenue exceeding €70/MWh and €180/MWh, respectively, over the period covering December 2022 to year-end 2023. Although these inframarginal rents were phased out as of year-end 2024, a 60% windfall tax, implemented in 2023, will remain in effect till year-end 2025. The windfall tax is applied to 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

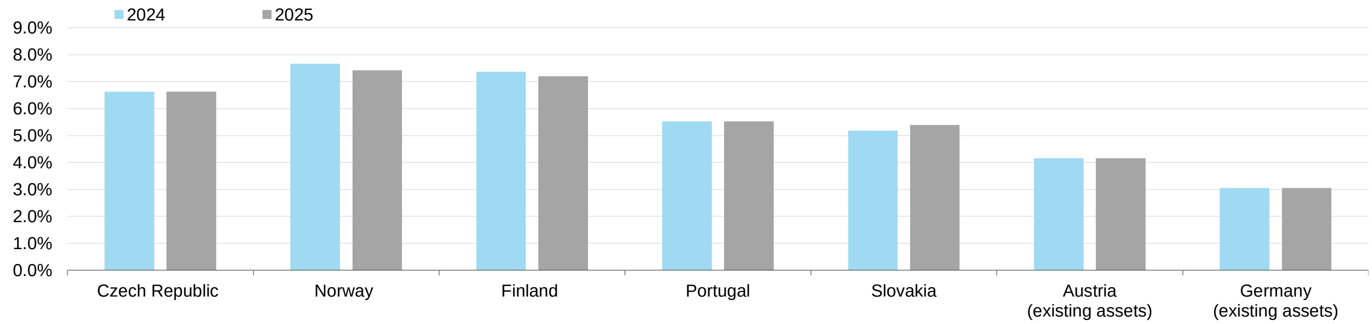
In 2024, CEZ derived around 20% of its EBITDA from its regulated electricity distribution network activities, up from 14% in 2023. The significant increase in earnings from the Distribution segment was partly a result of the first-time consolidation of GasNet and correction factors that resulted in an 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. We expect this share to increase steadily over the coming years.

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 CZK3.9 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 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%. Consequently, 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 2025 are estimated for Norway and Portugal. See Regulated Electric & Gas Networks Outlook 2025 for details of calculation.
Source: Moody's Ratings

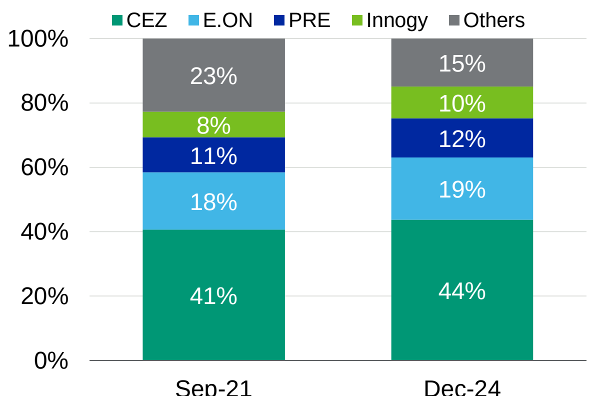
Supply in the Czech Republic is growing, underpinned by a stronger market share and tariff increase

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.

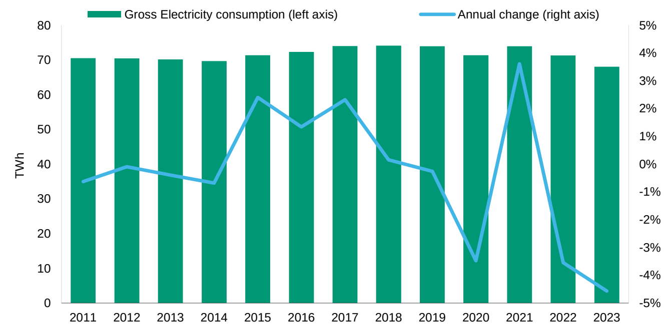
Following a gradual decline over 2015-20, electricity consumption in the Czech Republic recovered strongly in 2021 as a result of favourable macroeconomic conditions that boosted demand from industrial and commercial customers. By contrast, in 2022 and 2023, there were contractions of 3.5% and a 4.6%, 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, from 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

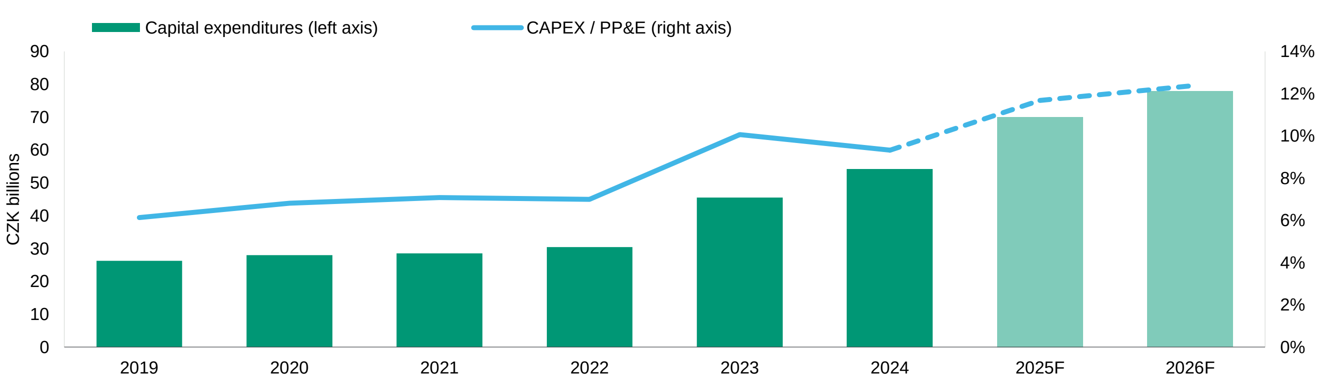


Sources: Czech Statistical Office, Czech Energy regulator (ERO) and Moody's Ratings

The 2030 strategic plan focuses on the domestic market, renewables and nuclear generation, and 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. Over the 2025-30 period, CEZ expects to invest more than CZK400 billion in capital expenditure, or roughly CZK72 billion per annum, a significant increase from the CZK231 billion that the group spent over 2019-24. Because of the heavy investments, CEZ forecasts its net leverage ratio will increase towards 3x-3.5x by 2030. These investments are in addition to the company's acquisition of a majority stake in GasNet, which closed 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 deteriorated to around 27%, down from 37% in 2023.

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

The investments will largely be carried out in Czechia. Over the past years, the company has exited several geographies. In February 2025, the company also completed the divestment of its Polish coal assets.

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 year-end 2024), partly subsidised under the Modernisation Fund. Approved by the Czech Parliament in December 2019, the Modernisation Fund aims to support the renewables 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. Per its current plan, CEZ expects to invest CZK32 billion in new renewable capacities over the 2025-30 period. However, the current pace of investments into renewables is somewhat slow and would need to increase significantly in order for CEZ to achieve its renewables target.

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. The volume of extracted coal is projected to decline to below 5 million tons by 2030, in line with the company's planned closure of its coal capacity, before complete closure occurs by 2033. To support the transition, the Czech Republic will receive €1.64 billion in EU grants through the Just Transition Fund programme, which was adopted by the EU Commission in September 2022.

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.

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.

Vision 2030 also 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.

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 2020-22. In 2024, the company paid dividends equaling 80% (upper level of target payout ratio) of adjusted net income. CEZ has also proposed a dividend payout of 80% for 2025.

Sale of EDU II significantly reduces risks associated with development of new nuclear projects

In July 2019, the Czech government approved a framework plan for the development of a new nuclear plant at the Dukovany site. Per the initial plan, the project was to be developed as a dedicated special purpose vehicle, EDU II, held by CEZ. Although the project consisted of the construction of one nuclear power plant with up to 1200 MW of capacity initially, the scope was later widened to include a minimum of two reactors with the option of building an additional two. 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.

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. Despite the projects being envisaged being funded through repayable financing assistance with 0% interest during construction and at least 2% during the first 30 years of operations, the risks associated with potential new nuclear construction — and its potential for cost overruns and delays — have been a risk overhang for CEZ in recent years.

On 28 April 2025, CEZ announced that the Czech Government would be acquiring an 80% share in EDU II — the vehicle set up to handle construction of the country's two new nuclear plants and previously 100% owned by CEZ. The transfer of the shares occurred on 5 May. Consequently, CEZ will recover around CZK3.6 billion, to be paid in 2026, for its equity share, representing 80% of project development costs incurred to date. Further, along with its first-quarter results on 16 May, the company announced that it would no longer be subject to any contingent liabilities related to the two new nuclear projects. It will retain a 20% ownership stake in EDU II, but its involvement in the construction of the two new nuclear reactors will be limited to advisory and various other services managed by service contracts. Moreover, funding for the projects would start immediately using EDU II bridge financing until the government-funded repayable financial assistance mechanism is officially approved for both reactors. This approach will also shelter the company from any future capital expenditure related to the projects.

CEZ will, however, continue to look into the development of Small Modular Reactors (SMR) at its Temelin site. SMRs are advanced nuclear reactors with a power capacity of up to 500 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 to occur 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, in March 2025,became a shareholder in Rolls-Royce SMR (RR SMR) and subject to transaction conditions will progresivelly acquire approximately a 20 % stake in RR SMR. The review and approval of antitrust authorities is likely to happen later this year. Regarding financing of SMRs, CEZ expects these to obtain financing and operate similarly to the construction of larger nuclear plants.

The consolidation of GasNet increases structural subordination

The consolidation of GasNet has led to increased structural subordination in CEZ's capital structure given the fairly substantial amount of debt that remains at the GasNet level. 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.

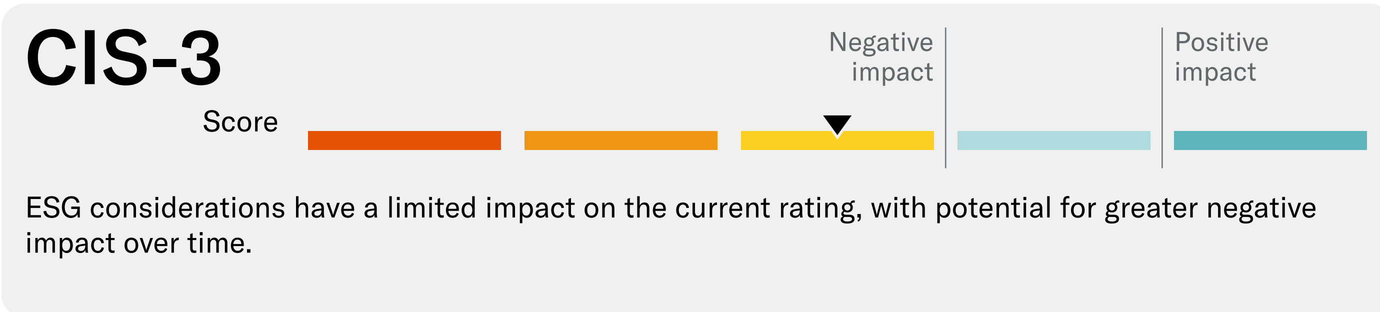
In 2022, the Czech government announced its intention to increase its control over energy sources in Czechia, including a transformation of CEZ. Within this context, plans have been put forward to potentially split CEZ. However, currently, there are no concrete proposals being discussed.

The issuer rating of CEZ benefits from a one-notch uplift from its BCA of baa2, reflecting its very high dependence and strong support assumptions. The uplift could be increased to two notches.

ESG considerations

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

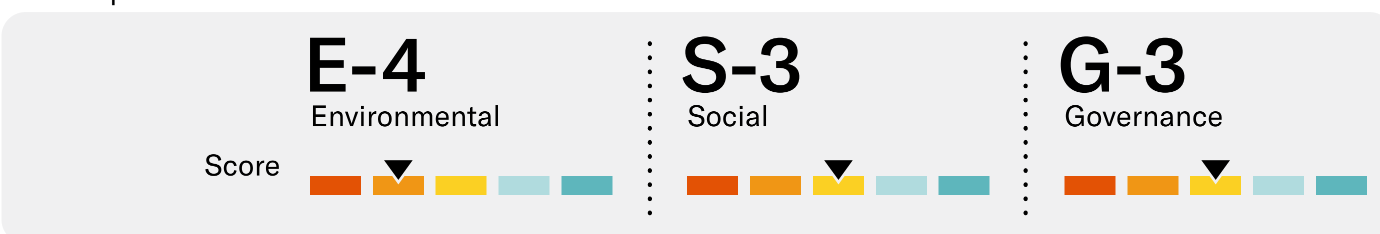
Exhibit 12
ESG credit impact score



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 1.5x in 2024). 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.

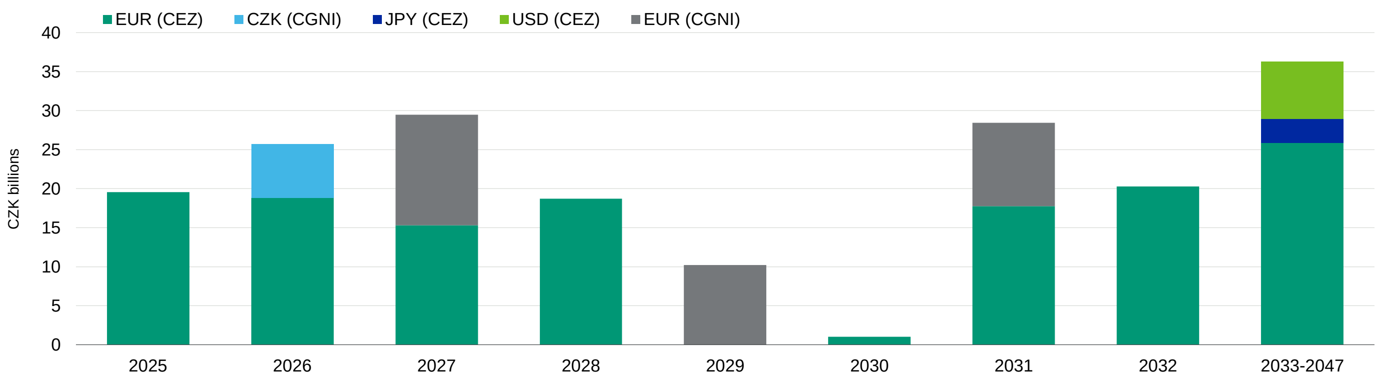
ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Liquidity analysis

As of the end of March 2025, CEZ's liquidity was supported by CZK53.4 billion (around €2.1 billion) of cash and cash equivalents and CZK77.6 billion (around €3.1 billion) of undrawn committed facilities. Liquidity was further bolstered by €750 million SLB issuance in April 2025.

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 its 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 March 2025



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	Current FY 12/31/2024		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)	11.0x	A	7.5x - 8.5x	A
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	40.5%	A	25% - 28%	Baa
c) RCF / Net Debt (3 Year Avg)	20.6%	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				Very High
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. Baa1 Positive			Vattenfall AB A3 Stable			EnBW Energie Baden-Wuerttemberg AG Baa1 Stable			Fortum Oyj Baa2 Stable		
(in $ millions)	FYE Dec-22	FYE Dec-23	FYE Dec-24	FYE Dec-23	FYE Dec-24	LTM Mar-25	FYE Dec-22	FYE Dec-23	FYE Dec-24	FYE Dec-23	FYE Dec-24	LTM Mar-25
Revenue	13,827	15,860	14,931	27,368	23,241	22,288	59,023	48,047	37,355	7,257	6,276	5,827
EBITDA	5,730	5,787	5,946	4,380	5,620	4,709	4,086	6,551	6,029	2,392	1,991	1,808
Total Assets	48,248	36,116	36,257	58,404	50,546	53,144	74,178	71,492	66,559	21,967	19,104	20,331
Total Debt	11,606	9,732	13,000	18,329	13,246	13,836	23,722	29,376	30,064	7,824	6,203	6,286
Net Debt	9,989	9,245	11,342	13,350	5,878	7,062	12,227	13,709	15,664	3,203	1,920	1,622
FFO / Debt	47.6%	35.5%	23.8%	17.7%	25.5%	24.8%	14.3%	23.2%	18.9%	22.7%	21.0%	21.9%
RCF / Debt	37.8%	-0.1%	14.8%	15.0%	20.7%	19.6%	12.4%	21.5%	16.6%	11.1%	3.7%	4.2%
(FFO + Interest Expense) / Interest Expense	15.5x	9.4x	7.9x	5.4x	6.1x	6.2x	5.0x	7.2x	6.6x	6.5x	6.3x	6.9x
Debt / Book Capitalization	46.0%	38.3%	46.9%	53.1%	39.2%	38.9%	59.8%	59.7%	59.1%	44.3%	38.6%	36.6%

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)	2020	2021	2022	2023	2024
As reported total debt	151,827	137,890	202,146	168,910	246,149
Non-Standard Adjustments	32,187	43,734	60,528	48,605	69,911
Moody's adjusted total debt	184,014	181,624	262,674	217,515	316,060

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)	2020	2021	2022	2023	2024
INCOME STATEMENT					
Revenue	215,644	220,354	322,203	351,888	346,572
EBITDA	65,521	66,074	133,519	128,408	138,015
EBIT	37,237	34,296	100,755	93,072	93,741
Interest Expense	6,149	5,510	8,606	9,232	10,877
Net income	24,757	22,233	74,732	33,431	29,478
BALANCE SHEET					
Net Property Plant and Equipment	410,095	402,803	434,781	451,655	580,128
Total Assets	687,176	1,167,966	1,091,942	807,185	881,474
Total Debt	184,014	181,624	262,674	217,515	316,060
Cash & Cash Equivalents	6,064	26,640	36,609	10,892	40,324
Net Debt	177,950	154,984	226,065	206,623	275,736
Total Liabilities	409,010	971,960	799,248	501,609	587,379
CASH FLOW					
Funds from Operations (FFO)	57,592	59,315	124,987	77,245	75,143
Cash Flow From Operations (CFO)	67,683	54,757	847	134,071	120,092
Dividends	18,139	27,963	25,649	77,408	28,410
Retained Cash Flow (RCF)	39,453	31,352	99,338	(163)	46,733
Capital Expenditures	(27,936)	(28,519)	(30,412)	(42,201)	(50,907)
Free Cash Flow (FCF)	21,608	(1,725)	(55,214)	14,462	40,775
INTEREST COVERAGE					
(FFO + Interest Expense) / Interest Expense	10.4x	11.8x	15.5x	9.4x	7.9x
LEVERAGE					
FFO / Net Debt	32.4%	38.3%	55.3%	37.4%	27.3%
RCF / Net Debt	22.2%	20.2%	43.9%	-0.1%	16.9%
Debt / EBITDA	2.8x	2.7x	2.0x	1.7x	2.3x
Net Debt / EBITDA	2.7x	2.3x	1.7x	1.6x	2.0x

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	Positive
Senior Unsecured	Baa1

Source: Moody's Ratings

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