

MOODY'S

RATINGS

Rating Action: Moody's Ratings upgrades CEZ to A3; outlook stable

13 Apr 2026

Paris, April 13, 2026 -- Moody's Ratings (Moody's) has today upgraded the senior unsecured debt/senior unsecured MTN program ratings of CEZ, a.s. (CEZ) to A3/(P)A3 from Baa1/(P)Baa1. At the same time, we have affirmed the baa2 Baseline Credit Assessment (BCA). The outlook has been changed to stable from positive.

RATINGS RATIONALE

The upgrade is driven by our revised assessment of the probability of extraordinary government support, reflecting CEZ's status as a Government-related Issuer (GRI) and the resulting strength of the relationship between the company and the Czech state. This assessment reflects CEZ's very high strategic importance and the extent to which its credit profile is closely aligned with sovereign policy objectives. Recent public statements by senior government officials regarding potential changes to CEZ's ownership structure provide additional context for this assessment, underscoring the authorities' emphasis on preserving the company's strategic role and financial resilience.

CEZ's importance to the Czech Republic is underpinned by its central role in national energy security, its ownership and operation of critical electricity and gas infrastructure, and its strong position across power generation, distribution networks and other system relevant assets in Czechia. These characteristics result in very high dependence between CEZ and the Czech state, given the limited substitutability of the company's activities and the essential nature of its operations.

The upgrade is further supported by strong governance linkages between CEZ and the Czech Republic, including majority state ownership, significant influence over strategic decision making, and a demonstrated policy orientation toward shielding the company from risks that could materially impair its financial profile. This was exemplified by the government's decision last year to assume the construction and commissioning risks associated with the country's new nuclear development. In our view, these factors indicate a higher level of state support than previously incorporated in the rating.

As a result, we have revised the degree of uplift applied to CEZ's BCA to reflect the stronger alignment between the company's credit profile and that of the sovereign, resulting in an upgrade of the issuer's ratings.

CEZ's baa2 BCA is affirmed, reflecting our expectation that CEZ will maintain a financial profile commensurate with the current BCA into the medium term, with Funds from operations (FFO)/net debt remaining at least in the low 20% range and retained cash flow (RCF)/net debt in the mid teens, in percentage terms.

In 2025, CEZ reported an EBITDA of CZK 137 billion, broadly stable year on year, as weaker realized electricity prices and lower trading margins were offset by stronger regulated distribution earnings and higher nuclear availability. Operating cash flow declined to around CZK 64 billion, mainly reflecting less favourable working capital movements, while net leverage increased modestly to 1.6x, remaining well below the company's stated debt leverage tolerance. We estimate FFO/net debt at approximately 24.6%. For 2026, CEZ guides to EBITDA of CZK 103–108 billion. Whilst this is a marked decline in terms of EBITDA, we expect CEZ's cash flow metrics to be largely preserved mainly supported by the expiry of the windfall tax.

More generally, the A3 rating/ baa2 BCA of CEZ continues to reflect (1) its leading position in the Czech electricity market and well-balanced vertical integration (2) the low-cost nature of its nuclear and lignite power generation fleet and (3) the relatively stable and predictable cash flow generated by its electricity and gas distribution activities in Czechia.

These positives are counterbalanced by (1) CEZ's relatively high exposure to merchant power generation, which, together with the mining segment, accounted for 62% of its EBITDA in 2025 given the recent high wholesale prices, and volatility in commodity prices (2) its limited geographical diversification (3) its exposure to decarbonisation policies because of its centralized and carbon-intensive (lignite and coal) power generation and (4) the risks associated with its large investment plan, which encompasses new solar, gas and biomass (primarily for district heating) capacity in Czechia, as well as continued large investments into its distribution network.

STABLE OUTLOOK

The stable outlook reflects our expectation that CEZ will maintain a financial profile consistent with our guidance, with FFO/net debt remaining at least in the low 20% range and RCF/net debt in the mid teens, in percentage terms. It also reflects our view that ongoing discussions related to security of supply in the Czech Republic and CEZ's role within that framework will not adversely affect the company's standalone credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

From a financial perspective, upward pressure would require CEZ to sustain a stronger balance sheet profile, with FFO/net debt sustainably in the high 20% range. Such upward pressure would also depend on greater clarity regarding CEZ's long term strategic role and ownership structure.

Downward pressure on the ratings could develop if CEZ were to materially deviate from our financial guidance, including FFO/net debt falling below the low 20% range or retained cash flow (RCF)/net debt weakening below the mid teens, in percentage terms. Any potential downgrade would also take into account changes in the Czech government's credit quality and our assessment of the likelihood of extraordinary state support.

PRINCIPAL METHODOLOGIES

The methodologies used in these ratings were Unregulated Utilities and Power Companies published in August 2025 and available at <https://ratings.moodys.com/rmc-documents/449372>, and Government-related Issuers published in May 2025 and available at <https://ratings.moodys.com/rmc-documents/443641>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

The net effect of any adjustments applied to rating factor scores or scorecard outputs under the primary methodology(ies), if any, was not material to the ratings addressed in this announcement.

COMPANY PROFILE

Headquartered in Prague, Czech Republic, CEZ, a. s. is one of the largest electric utility companies in Central and Eastern Europe with 11.6 gigawatts of generation capacity. It reported operating revenues of CZK333 billion and an EBITDA of CZK137 billion in 2025.

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