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CREDIT OPINION
15 February 2024

Update

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RATINGS

CEZ, a.s.

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

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

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CEZ, a.s.

Update to credit analysis

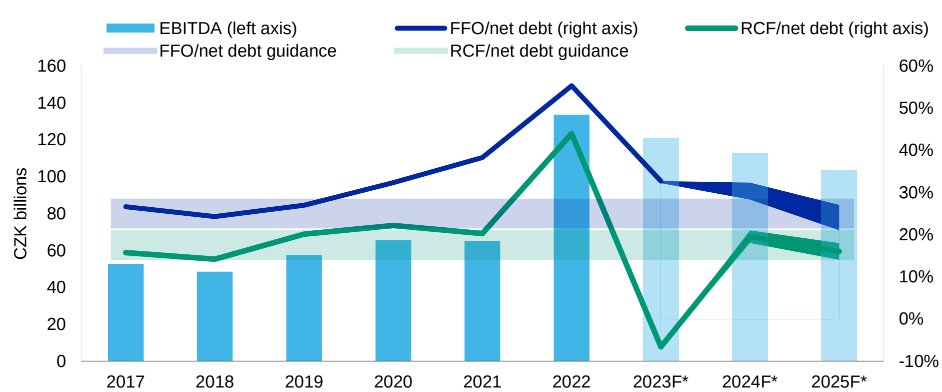
Summary

CEZ, a.s.' (Baa1 stable) 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 distribution activities in the Czech Republic; and its modest leverage, with our projection of funds from operations (FFO)/net debt of above 25% for the next two years.

These positives are counterbalanced by the company's relatively high exposure to merchant power generation, which, together with the mining segment, accounted for over 80% of EBITDA for the 12 months that ended September 2023 given 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

CEZ's credit metrics will weaken over the next two years on expectations of lower electricity prices and increased capital expenditure



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Source: Moody's Financial Metrics™ and Moody's Investors Service

Whereas CEZ's credit metrics have been very strong over the past two years - as exemplified by an FFO/ Net Debt in the high 30s for the twelve months to September 2023, we expect

CEZ's financial cushion to gradually decrease over the next two years. This is down to a step up in capital expenditures that will occur over the next few years.

The long-term evolution of the company's financial profile will depend on the execution of its strategy in developing its energy services, domestic renewables and new nuclear power plants in the Czech Republic, which could entail significant execution risks, although these risks will be mitigated by government support.

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 60% 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

» 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, as well as the balance of risks and potential for support, despite having completed key legislative steps in 2021

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

Rating outlook

The stable rating outlook reflects our expectation that CEZ's key credit metrics will remain aligned with our guidance for its Baa1 rating, which includes FFO/net debt around the mid-20s and retained cash flow (RCF)/net debt in the high teens, both in percentage terms, despite adverse political interference. The outlook also takes into account our view that CEZ's involvement in new nuclear plant development will not significantly increase the company's financial risks over the next 12-18 months.

Factors that could lead to an upgrade

We could upgrade CEZ's rating if the government continues to provide strong support; the company's fundamental strength remains commensurate with at least its current Baseline Credit Assessment (BCA) of baa2; and it implements adequate measures to mitigate risks arising from the development of new nuclear plants.

Factors that could lead to a downgrade

We could downgrade CEZ's rating if the company fails to maintain a financial profile commensurate with our current guidance of FFO/net debt around the mid-20s and RCF/net debt in the high teens, both in percentage terms; 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 consideration the Czech government's credit quality and the likelihood of extraordinary support.

Key indicators

Exhibit 2
CEZ, a.s.

	2018	2019	2020	2021	2022	LTM Sep-23	2023F	2024F	2025F
(CFO Pre-W/C) / Net Debt	24.3%	27.0%	32.4%	38.3%	55.3%	38.3%	32% - 34%	29% - 31%	23% - 26%
RCF / Net Debt	14.2%	20.1%	22.2%	20.2%	43.9%	-11.7%	(5%) - (7%)	19% - 21%	15% - 17%
(FFO + Interest Expense) / Interest Expense	7.5x	8.7x	10.4x	11.8x	15.5x	7.9x	6.5x - 7.5x	7.5x - 8.5x	7.0x - 8.0x

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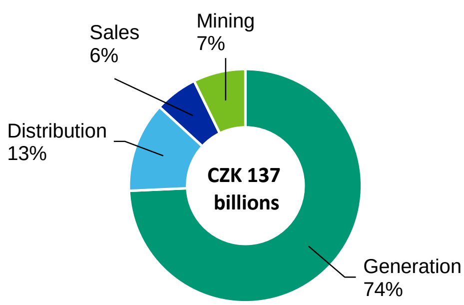
Source: Moody's Financial Metrics™ and Moody's Investors Service forecasts

Profile

CEZ, a.s. is one of the largest electric utility companies in Central and Eastern Europe, with 11.9 gigawatts (GW) of installed power generation capacity as of September 2023. After the decommissioning of the Melnik III plant (500 megawatts [MW]) in August 2021, CEZ's energy mix consists mainly of nuclear (36%), and coal and lignite (37%) plants based in Czechia, generating 61% of the national output. After the disposal of its Romanian and Bulgarian assets, the group's primary areas of operation include the Czech Republic (98.7% of EBITDA for the 12 months that ended September 2023), Germany (0.4%) and Poland (0.9%). It has a limited presence in France, Slovakia and Turkiye as well.

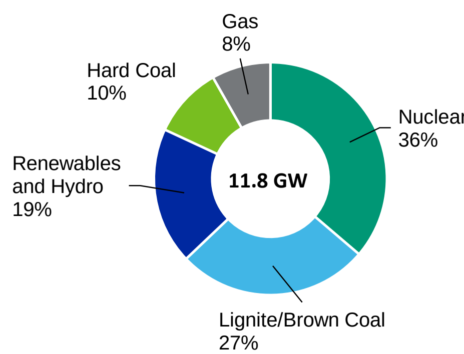
CEZ's core businesses are power generation, which includes traditional energy and renewables; regulated distribution; sales, including supply activities; and mining and other activities, which complement the core business segments.

Exhibit 3
Power generation accounts for the bulk of CEZ's EBITDA
EBITDA breakdown by segment (LTM Sep-23)



Source: Company and Moody's Investors Service

Exhibit 4
CEZ's installed capacity is dominated by nuclear and coal
Breakdown of installed capacity (2022)



Source: Company and Moody's Investors Service

CEZ is around 70% owned by the Czech government, while the remaining shares are listed on the Prague Stock Exchange. As of mid February 2024, CEZ had a market capitalisation of around CZK440 billion (EUR17 billion).

Detailed credit considerations

Locked in high power prices will continue to support generation earnings in 2024

CEZ is the largest power generator in the Czech Republic. In 2022, the company produced 51.8 terawatt-hour (TWh) or 61% 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 45% market share based on number of connections in the electricity supply business as of December 2022.

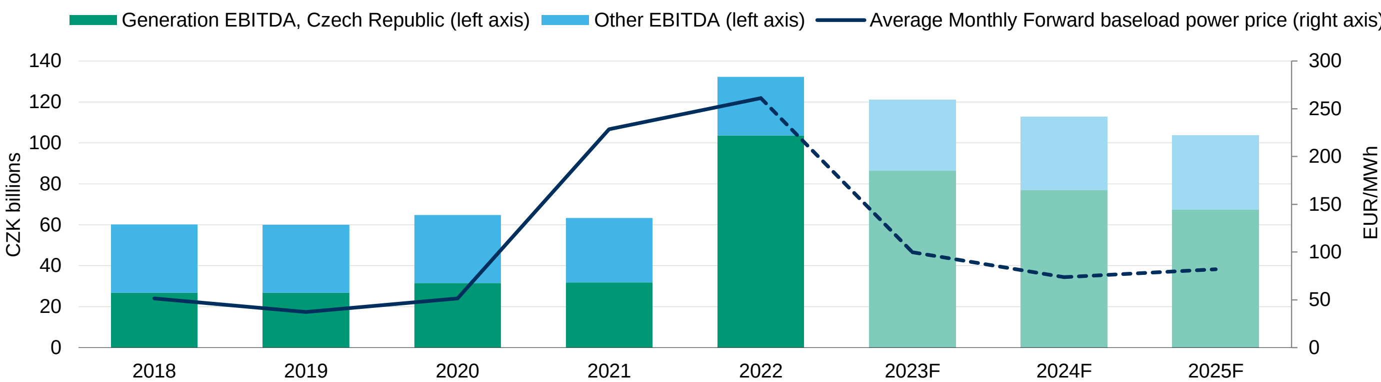
CEZ's generation fleet is stable and predominantly not exposed to growing fuel prices, with 89% of total generation output represented by nuclear (60%) and coal and lignite (29%) for 12 months ending September 2023. The nuclear output reached 30.5 TWh on average over 2019-22, with a load factor above 80%. Nuclear fuel costs were low at €8/megawatt-hour (MWh), including payment for burnt fuel storage.

Lignite (27% of installed capacity as of September 2023) is sourced from the company's own mines at fixed costs. However, the generation is exposed to carbon price risk. In 2023, the European carbon futures traded around the €85/tonne mark on average, after reaching an all-time high of over €100/tonne in February 2023. CEZ expects the average achieved cost for carbon to keep growing gradually until 2025. Assuming 42% efficiency, a €1/tonne increase would translate into a roughly €85 cents/MWh increase in marginal costs, weighing on the profitability of unhedged production of lignite-fired plants should carbon prices follow this trajectory. We note, however, that carbon prices have been on a downward trend over the past 12 months and are currently trading at around €60/ tonne.

Exhibit 5

CEZ's EBITDA is traditionally sensitive to power prices. Revenue caps on inframarginal rents has affected 2023 financial performance

EBITDA in CZK billions and power price in €/MWh



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Source: Moody's Investors Service

Czech power prices are closely linked to those in Germany[1], given the interconnections between the two countries. Current power prices in the Czech Republic are almost at the same level as that in Germany; this differential had been narrowing since 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 are 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. In that respect, the new Czech government appointed in December 2021 accelerated the target to shift away from coal to 2033 from the previous 2038 recommended by the coal commission, to compare with 2030 in Germany.

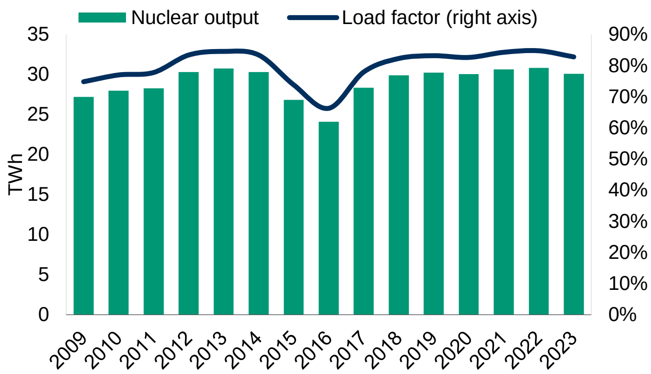
Over the course of 2023 and into 2024, power prices have decreased significantly with power prices in Czechia currently trading at some €75/MWh, which represents a decline of 45% compared to the price levels seen a year ago. The declining power prices will have an impact on CEZ's EBITDA arising from its generation, however, CEZ will continue to benefit from hedges put in place at higher price levels. As at the end of September 2023, CEZ had hedged 77% of its output at €130/MWh for 2024, 51% of its output at €127/MWh for 2025 and 20% of its output at €108/MWh for 2026. In addition to power prices, CEZ hedges its exposure to carbon prices. The company has hedged around 70% of its emission allowances' needs at €80/tonne for 2024, 30% at €97/tonne for 2025 and about 10% at €101/tonne for 2026. As such, the hedges are currently out of the money given that the carbon price is currently trading at around €60/tonne as of February 2024 and one-year forwards at some €58/tonne.

In November 2022, the Czech government introduced a cap on electricity tariffs to protect households from high power prices, similar to many other governments across Europe. This measure was funded with higher dividends paid by state-owned companies to support the government's budget; a revenue cap on inframarginal rents, affecting nuclear and lignite plants, which returned 90% of revenue exceeding €70/MWh and €180/MWh, respectively, from December 2022 to the end of 2023. Whereas the inframarginal rents will disappear in 2024, a 60% windfall tax will be in place for the next three years, over the historical average of 2018-21 income plus 20%.

We nonetheless expect the introduction of the windfall tax to be temporary allowing for CEZ to maintain its financial metrics, including RCF/net debt, above our guidance.

Exhibit 6

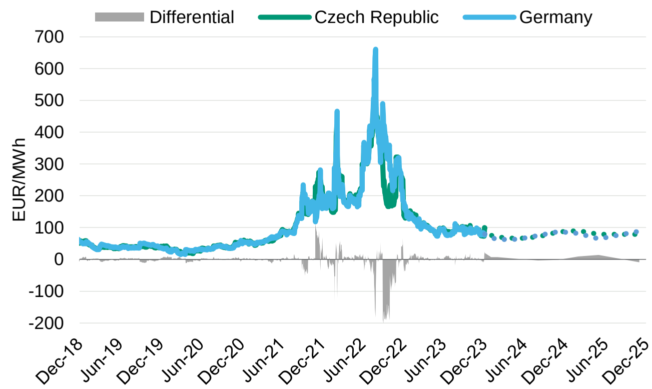
Stable nuclear production, with a high load factor and low operating costs, will support CEZ's generation profit



Source: Company and Moody's Investors Service

Exhibit 7

Electricity prices are likely to remain higher than the historical average



Dotted lines represent futures prices for yearly contracts.
Source: FactSet and Moody's Investors Service

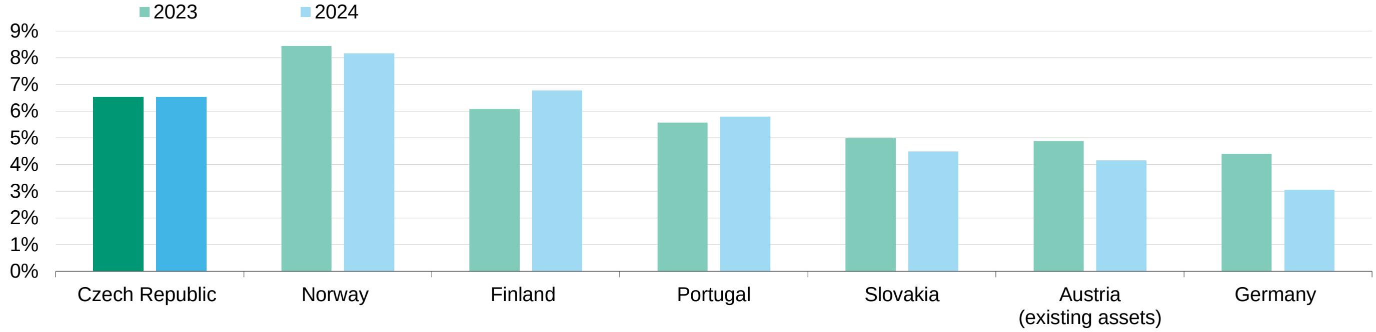
Regulated distribution activities support cash flow stability

In the 12 months that ended September 2023 CEZ derived around 14% from regulated electricity distribution network activities, down from 17% of EBITDA in the comparable period of last year. The decline is driven by the higher proportion of generation in CEZ's earnings mix on the back of the high power price environment seen in the beginning of 2023. Following the divestment of assets in Bulgaria and Romania, the regulated distribution activities are now derived from the Czech Republic only, where the company owns five of the eight distribution grids, representing an aggregate regulated asset base (RAB) of CZK142 billion and accounting for around 66% of Czech electricity distributed.

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. The fifth five-year regulatory period came into force on 1 January 2021. It retains key building blocks of the last regulatory framework, with minor changes reflecting evolutionary enhancements in some areas and developments in the wider energy policy landscape, for example, the European Commission's Clean Energy Package. Even though the pretax allowed return (WACC) decreased to 6.54% from 7.951% in the new regulatory period, allowed revenues are still one of the highest among European peers we rate. CEZ projects its RAB will grow by 6% per year in this decade to reach close to CZK200 billion by 2030.

Exhibit 8

Nominal, pretax allowed returns for selected 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 Investors Service

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

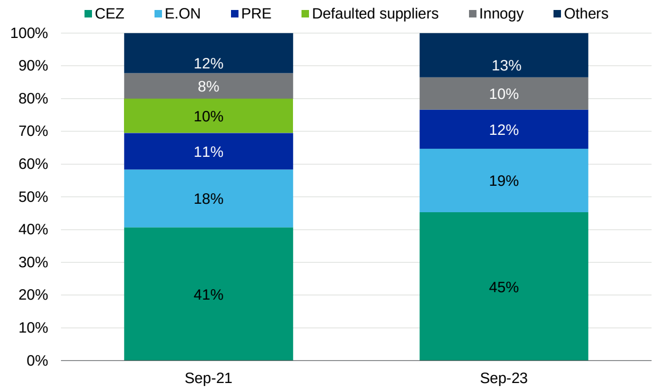
As of September 2022, CEZ was the largest supplier of electricity in the Czech Republic, with a 45% market share. Evolution of market shares have been stable over the past twelve months.

In tandem with the higher electricity prices seen during the last quarter of 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. We positively consider the increase in the group's supply market share, enabling economies of scale for this low-margin business.

Following a gradual decline over 2015-20, electricity consumption in the Czech Republic strongly recovered in 2021, as a result of favourable macroeconomic conditions that boosted demand from industrial and commercial customers. In contrast, 2022 recorded a 3.5% contraction 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 a higher electrification of the economy, including transportation and industries.

Exhibit 9

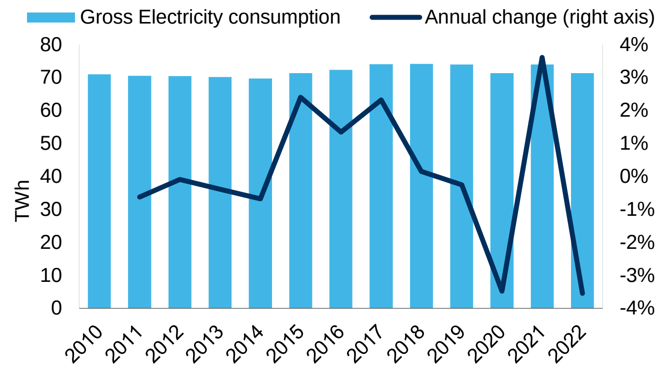
CEZ gained a significant portion of the domestic supply market, following defaults of electricity suppliers in H2 2021



Suppliers' market shares based on connection points
Source: Czech electricity and gas market operator (OTE) and Moody's Investors Service

Exhibit 10

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



Source: Czech Statistical Office, Czech Energy regulator (ERO) and Moody's Investors Service

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 reach 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.

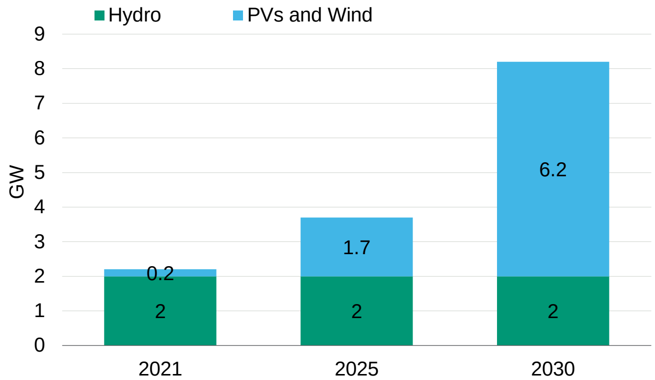
New renewables capacity will drive decarbonisation while preserving the nuclear fleet's efficiency. CEZ plans to build 1.5 GW of new photovoltaic (PV) capacity by 2025, partly subsidised under the Modernisation Fund, and an additional 4.5 GW by 2030, in the Czech Republic. Approved by the Czech Parliament 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 MW installed, providing the projects are implemented within 60 months following the granting. The electricity generated will be sold at market prices. Over 2023-27, CEZ will invest CZK43 billion in new renewable capacities, and expects to receive roughly CZK16 billion of subsidies from the Modernisation Fund. In the first auction that took place in Q1 2022, 17 of CEZ's projects involving 173 MW installed capacity were granted CZK1.0 billion in subsidies. Another 728MW of capacity were granted CZK3.1 billion of subsidies in the second quarter of 2023.

CEZ also plans to increase the production of its existing nuclear plants to over 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 in 2036-38 and the construction of small modular reactors (SMRs) that will gradually start operating in 2030-35 (see "New nuclear projects would entail significant risks" section).

In parallel, CEZ plans to gradually reduce its coal capacity from 4.3GW (as of 2022) to 2.2GW by 2030, for 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-fuelled generation to be around 25% in 2025, for then to decrease to around 12.5% in 2030 (against a share of 28% as of the end of September 2023). CEZ supplies its coal from its own mines. Current extraction amounts to 18 million tons, out of which 30% is sold externally. Extracted coal volume is projected to decline to 8 million tons by 2030 in tandem with 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 per the Just Transition Fund (JTF) Programme adopted by the EU Commission in September 2022.

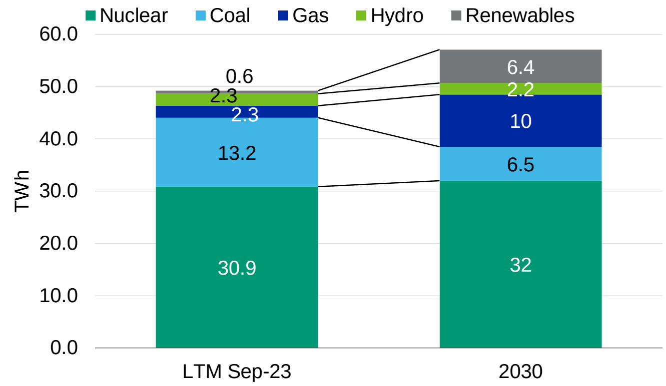
Finally, to preserve security of energy supply in the Czech Republic, following the sharp reduction of Russian gas flows, CEZ secured an annual quantity of 3 billion cubic meters of gas (equivalent to one-third of the Czech Republic's annual gas consumption) from the new Dutch floating liquefied natural gas terminal operated by N.V. Nederlandse Gasunie (A1 stable) over 2022-27. We view this contract as 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.

Exhibit 11
CEZ plans to quadruple its renewables installed capacity by 2030, mainly driven by new PV capacity



Source: Company and Moody's Investors Service

Exhibit 12
Renewables and gas will replace coal generation, while nuclear will remain predominant, leading to lower carbon intensity



Source: Company and Moody's Investors Service

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 keep focusing 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 (MIRA) and Eurohold Bulgaria, respectively, for a total consideration of roughly €1.3 billion. Furthermore, in December 2023, CEZ completed the sale of its share in AKCEZ, Türkiye, to Torunlar Group. In contrast, CEZ decided to cancel the divestment of its main Polish operations, given the low interest of potential purchasers, but it plans to start the process again in 2024.

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 CEZ 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 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 to 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 a compensation for the cost incurred of up to CZK4.5 billion. The framework is still subject to approval by the European Commission from a state aid rules perspective.

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 (PPA) for the new nuclear source and the funding in the form of a repayable financing assistance (RFA) with 0% interest during construction and at least 2% during the first 30 years of operations.

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. (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 by April 15, 2024. However, the Government is now asking the bidders submit binding bids for up to four reactors, which is more than what CEZ initially agreed to. The contracts are likely to be finalised in 2024, and the construction will start in 2029.

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 will select the technology to be adopted by the end of 2024, and expects the commissioning of the first unit in the first half of the next decade.

Overall, we view the potential new nuclear plant development by CEZ as credit negative. The precise effect of the projects will depend on the balance of risks between the company and the government. The Czech government appears very committed to supporting new nuclear plant development in terms of energy transition towards a low-carbon-generation mix. This is particularly relevant in the context of the significant execution risks in nuclear plant construction — long lead time, high costs and complex engineering — as shown by the long delays and cost overruns for the ongoing projects in other European countries. See our Issuer Comment Electricite de France: New cost overrun and potential delay at Hinkley Point are credit negative, published in September 2019.

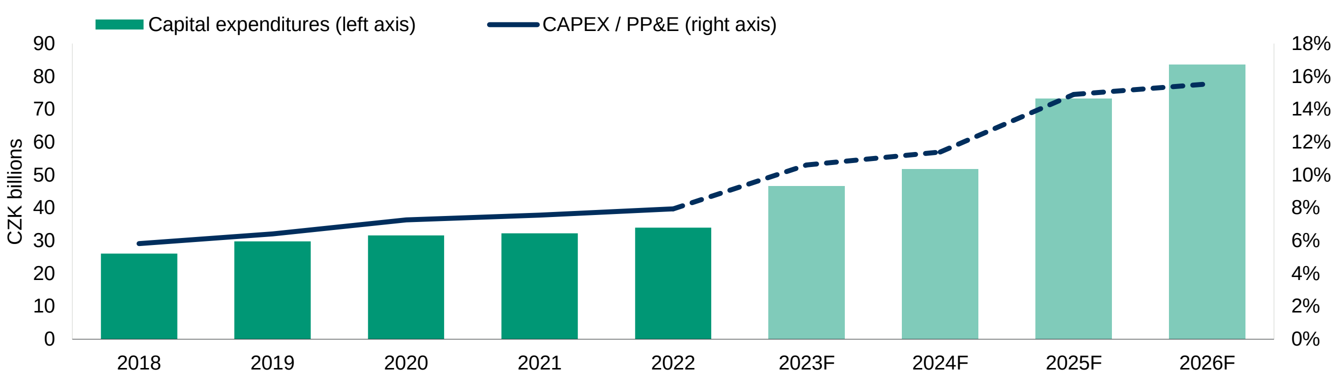
Long-term credit metrics will be subject to the evolution of investments and dividend policy

As a consequence of the shift towards low-carbon capacity to offset the decline in coal power plants' output, CEZ will embark on a significant increase in its capital spending programme which will total CZK 600-700 billion over 2021-30, excluding the investment in the new nuclear capacities, as well as the partial funding of new renewable capacity through the Modernisation Fund. Capital spending will be equally split between maintenance and growth.

As a result, we expect capital spending to increase significantly over the next 2-3 years and amount exceed 12% of net property, plant, and equipment over the next three years.

Exhibit 13

Capital spending will increase because of the company's ambitious capital programme



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Source: Moody's Investors Service

In 2022, the company updated its dividend policy, lowering the targeted payout to 60%-80% of consolidated adjusted net income from 80%-100% over 2019-21, although the actual payout exceeded the range over the last three years, at 122% of the adjusted net income reported in 2020, 116% in 2021 and 100% in 2022. Given the volatility of power prices - which currently are on a downward trend - the level of dividend payments going forward will be an important driver of CEZ's credit quality given the massive investment programme the group will have to finance by 2030.

Government ownership supports credit quality

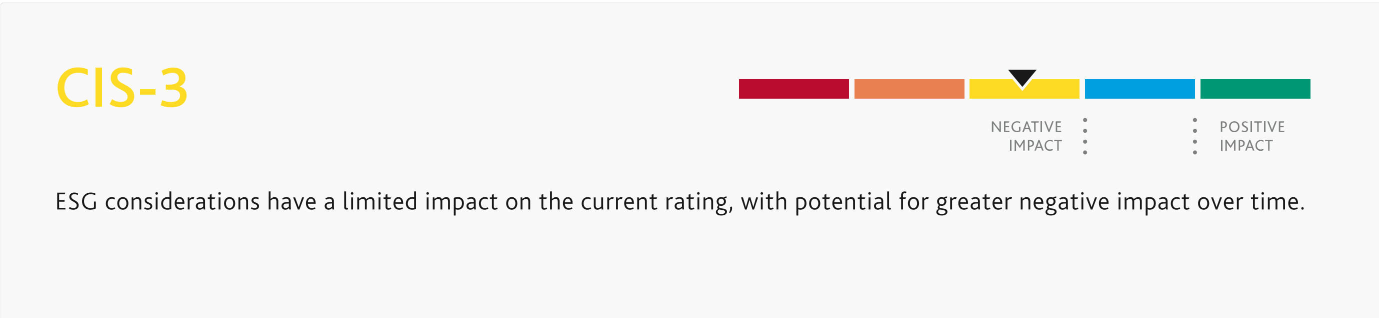
CEZ is 70% owned by the Czech government, and we expect the state to continue to hold a majority stake in the company. The company plays a critical role within the Czech energy sector and has a high strategic importance to the overall Czech economy because it is one of the largest employers and contributors 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. In that context, plans have been put forward to potentially split CEZ. However, we understand that there currently is no concrete proposals being discussed.

ESG considerations

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

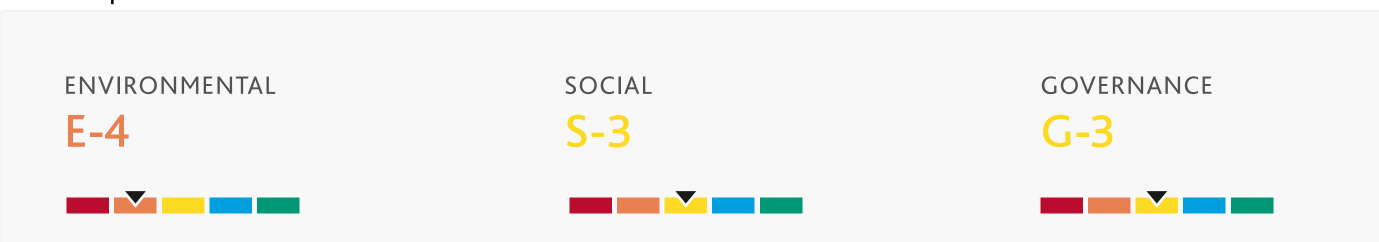
Exhibit 14
ESG credit impact score



Source: Moody's Investors Service

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

Exhibit 15
ESG issuer profile scores



Source: Moody's Investors Service

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 (53% market share in Czech Republic, or 17.8m 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 (45% of 2022 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 has seen a pay out ratio above 100% over the past three years, and a sizeable capital expenditure to 2030 which will result in a leverage increase (to 3x EBITDA in 2030 from 2.0x in 2022). 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

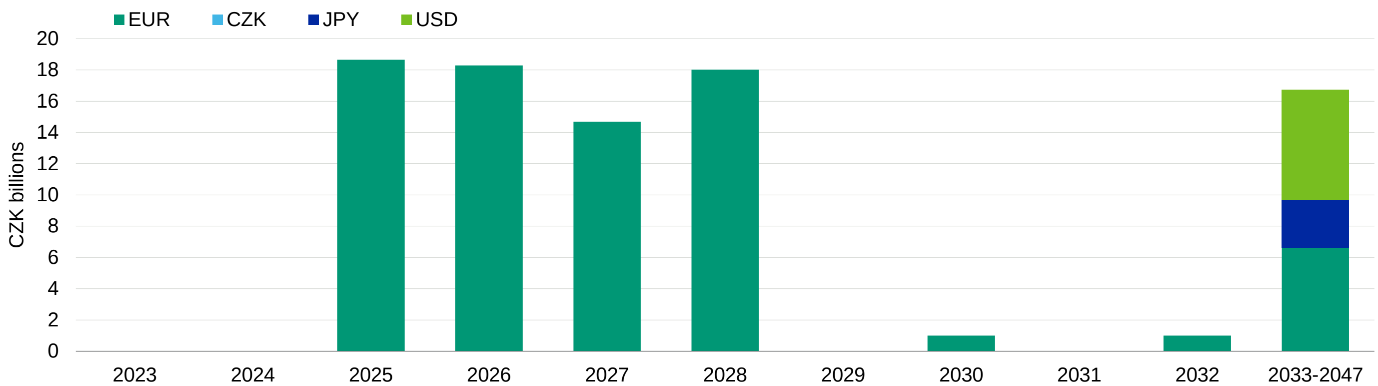
As of the end of September 2023, CEZ's liquidity was supported by CZK18 billion (around €0.7 billion) of cash and cash equivalents and CZK73 billion (around €2.9 billion) of undrawn committed facilities.

Similar to other utilities in Europe, CEZ had to extend credit lines and revolving credit facilities to fund volatile margin calls requirements over 2022. In that respect, the group benefited from a new €3 billion loan from the government. As at the end of September 2023, €1 billion was drawn under this facility.

We expect CEZ to maintain sound liquidity over the next 12 months, supported by an estimated FFO of some CZK60 billion-CZK70 billion. However, this will not be sufficient to cover all of the company's sizeable capital spending and dividend payments. We expect that CEZ will draw more frequently on its committed facilities over the next 2-3 years.

Exhibit 16

Bond maturity profile as of the end of September 2023
In CZK billions



Source: Moody's Investors Service

Methodology and scorecard

We rate CEZ in accordance with our Unregulated Utilities and Unregulated Power Companies rating methodology, published in December 2023. 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 (GRI) under our Government-Related Issuers Methodology, published in January 2024. 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 17

Rating factors

CEZ, a.s.

Unregulated Utilities and Unregulated Power Companies Industry	Current LTM Sep-23		Moody's 12-18 month forward view	
Factor 1 : Scale (10%)	**Measure**	**Score**	**Measure**	**Score**
a) Scale ($ billions)	A	A	A	A
Factor 2 : Business Profile (40%)				
a) Market Diversification	Ba	Ba	Ba	Ba
b) Hedging and Integration Impact on Cash Flow Predictability	Baa	Baa	Baa	Baa
c) Market Framework & Positioning	Ba	Ba	Ba	Ba
d) Capital Requirements and Operational Performance	A	A	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)	11.6x	A	7.5x - 8.5x	Baa / A
b) (CFO Pre-W/C) / Net Debt (3 Year Avg)	45.3%	A	29% - 31%	Baa
c) RCF / Net Debt (3 Year Avg)	21.1%	Baa	19% - 21%	Baa
Rating:				
a) Scorecard-Indicated Outcome		Baa1		Baa2 / Baa1
b) Actual Rating Assigned				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 figures and ratios are based on adjusted financial data and incorporate Moody's Global Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Moody's forecasts are Moody's opinion and do not represent the views of the issuer.
Source: Moody's Financial Metrics™ and Moody's Investors Service

Ratings

Exhibit 18

Category	Moody's Rating
CEZ, A.S.	
Outlook	Stable
Senior Unsecured MTN	(P)Baa1

Source: Moody's Investors Service

Appendix

Exhibit 19

Peer comparison

CEZ, a.s.

	CEZ, a.s. Baa1 Stable			Vattenfall AB A3 Stable			EnBW Energie Baden-Wuerttemberg AG (P)Baa1 Stable			Fortum Oyj (P)Baa2 Stable		
(in $ millions)	FY Dec-21	FY Dec-22	LTM Sep-23	FY Dec-21	FY Dec-22	LTM Sep-23	FY Dec-21	FY Dec-22	LTM Sep-23	FY Dec-21	FY Dec-22	LTM Sep-23
Revenue	10,166	13,827	15,776	21,007	23,789	27,835	38,036	59,023	54,650	7,598	9,279	8,848
EBITDA	3,002	5,730	6,320	6,815	2,570	1,910	3,561	4,086	5,753	2,634	1,765	2,170
Total Assets	53,449	48,248	33,662	86,412	75,974	55,926	81,052	74,178	66,207	171,424	26,506	21,201
Total Debt	8,312	11,606	9,360	21,732	23,958	16,311	25,882	23,722	25,331	22,591	9,600	7,539
Net Debt	7,092	9,989	8,922	3,040	7,521	10,068	12,368	12,227	14,701	14,299	5,683	2,720
FFO / Net Debt	38.3%	55.3%	38.3%	169.4%	50.4%	29.4%	24.1%	27.7%	22.6%	12.2%	39.9%	72.8%
RCF / Net Debt	20.2%	43.9%	-11.7%	147.1%	15.2%	22.4%	20.5%	24.0%	19.5%	4.2%	20.5%	56.8%
(FFO + Interest Expense) / Interest Expense	11.8x	15.5x	7.9x	10.6x	5.4x	4.4x	6.4x	5.0x	5.0x	8.8x	10.1x	7.1x
Debt / Book Capitalization	46.3%	46.0%	39.9%	44.9%	62.3%	50.3%	66.9%	59.8%	57.5%	57.8%	53.3%	44.0%

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 20

Moody's-adjusted debt reconciliation

CEZ, a.s.

(in CZK millions)	2018	2019	2020	2021	2022	LTM Sep-23
As reported debt	**160,966.0**	**171,893.0**	**151,827.0**	**137,890.0**	**202,146.0**	**154,788.0**
Non-Standard Adjustments	25,113.0	29,301.0	32,187.0	43,734.0	60,528.0	60,528.0
Moody's-adjusted debt	**186,079.0**	**201,194.0**	**184,014.0**	**181,624.0**	**262,674.0**	**215,316.0**

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Exhibit 21

Overview on selected historical Moody's-adjusted financial data

CEZ, a.s.

(in CZK millions)	2018	2019	2020	2021	2022	LTM Sep-23
INCOME STATEMENT						
Revenue	181,893	209,391	215,644	220,354	322,203	354,092
EBITDA	48,196	57,566	65,521	65,059	133,519	141,851
EBIT	20,057	28,550	37,237	33,281	100,755	105,214
Interest Expense	6,497	6,631	6,149	5,510	8,606	11,398
Net income	10,500	17,508	24,757	21,410	74,732	53,399
BALANCE SHEET						
Net Property Plant and Equipment	415,648	427,827	410,095	402,803	434,781	433,436
Total Assets	694,089	690,255	687,176	1,167,966	1,091,942	774,359
Total Debt	186,079	201,194	184,014	181,624	262,674	215,316
Cash & Cash Equivalents	11,037	12,312	6,064	26,640	36,609	10,069
Net Debt	175,042	188,882	177,950	154,984	226,065	205,247
Total Liabilities	434,494	407,675	409,010	971,960	799,248	506,659
CASH FLOW						
Funds from Operations (FFO)	42,471	50,904	57,592	59,315	124,987	78,532
Cash Flow From Operations (CFO)	31,064	38,574	67,683	54,757	847	121,544
Dividends	17,613	12,861	18,139	27,963	25,649	102,643
Retained Cash Flow (RCF)	24,858	38,043	39,453	31,352	99,338	(24,111)
Capital Expenditures	(21,731)	(26,232)	(27,936)	(28,519)	(30,412)	(34,287)
Free Cash Flow (FCF)	(8,280)	(519)	21,608	(1,725)	(55,214)	(15,386)
INTEREST COVERAGE						
(FFO + Interest Expense) / Interest Expense	7.5x	8.7x	10.4x	11.8x	15.5x	7.9x
LEVERAGE						
FFO / Net Debt	24.3%	27.0%	32.4%	38.3%	55.3%	38.3%
RCF / Net Debt	14.2%	20.1%	22.2%	20.2%	43.9%	-11.7%
Debt / EBITDA	3.9x	3.5x	2.8x	2.8x	2.0x	1.5x
Net Debt / EBITDA	3.6x	3.3x	2.7x	2.4x	1.7x	1.4x

All figures and ratios are based on adjusted financial data and incorporate Moody's Global Standard Adjustments for Non-Financial Corporations.
Periods are financial year-end unless indicated. LTM = Last 12 months.
Source: Moody's Financial Metrics™

Endnotes

1 For further information, please see Electricity Markets – Europe: Supply-demand imbalance to ease, but prices to remain above historical levels, published on 05 December 2023

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