

| Utility | Update | Czech Republic |

CEZ

Performance under pressure due to falling power prices

Sell

Price	23.02.26	CZK 1,169
12m target		CZK 1,079
Upside to TP		-7.7%
Dividend		CZK 41
Total return		-4.2%

Sector stance
Overweight

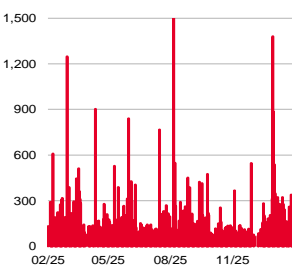
Investment type
Commodity price exposure
High dividend yield

1 year performance



Source: Bloomberg

Trading volume (in ths of shares)



Source: Bloomberg

Share data

RIC CEZsp.PR	Bloom	CEZ CP
52-week range	1000	1373
Market cap. (CZKbn)		628.9
Market cap. (EURbn)		26
Free float (%)		30.00
Performance (%)	1m	3m
Share	-2.7	-9.0
Rel. to PX Index	-2.5	-18.5
		-15.6

Source: Bloomberg

The latest analysis and report:

https://bit.ly/CEZ_analysis_202411 EN

https://bit.ly/CEZ_exDVD25_en

https://bit.ly/CEZ_3Q25_en

Investment case: We are issuing a **Sell recommendation** for CEZ shares with a new **target price of CZK1,079** (previous reco Hold with TP CZK923 from November 15, 2024).

There are four crucial segments for CEZ. The first is Generation, which accounts for 57% of EBITDA (9M25). Nuclear power plants are key in this area. The second is Distribution (27%), which includes a fully regulated business. Third is Sales (10%), which includes ESCO services. The smallest segment is Mining (6%). This segment will gradually decline as coal-fired power generation is phased out.

According to the policy statement of the government appointed in December 2025, CEZ's production assets should be nationalized. It is unclear how this will happen, but no steps are expected to be taken this year. According to the Minister of Industry, steps will be taken within 18-24 months. It is unclear whether minority shareholders will be bought out or if there will be a split and subsequent squeeze-out of minority shares. Currently, the government controls nearly 70% of CEZ.

Dividend policy: CEZ usually pays 60–80% of its net profit to its shareholders. A special windfall tax (WFT) applied for the years 2023–2025. Therefore, the dividend payment for 2025, which will take place in August this year, will be affected by this tax. For 2025, we estimate a dividend of CZK41 (gross yield of 3.5%) with an 80% payout. This year's results will no longer be burdened by the WFT; therefore, the dividend to be paid next year will increase. According to our estimates, it will rise to CZK55 (with an 80% payout). We believe that a 100% dividend will return due to the deep state budget deficit. In an optimistic scenario, the dividend would increase to CZK69, reaching a gross yield of 5.9%.

We use the DCF model to value CEZ shares. We have determined the **fair value to be CZK1,079**. Compared to the current market price, this represents a 7.7% decline. With dividends included, the decline is 4.2%. Based on our updated price estimate, CEZ is trading at 15.4x P/E and 7.6x EV/EBITDA. The respective ratios for the pers are 15.6x and 8.8x. Therefore, CEZ is trading at a discount compared to the median for Western European utilities. However, it offers a decent dividend yield of 3.5%.

Main risks: These are risks associated with electricity generation. They include the availability of nuclear sources as well as the power price (electricity and CO₂). In the case of CEZ, political risk is also a concern. **This may involve special taxes or further regulations.**

Financial data	2024	e2025	e2026	e2027	Ratios	2024	e2025	e2026	e2027
Revenues (CZK bn)	344.7	331.9	302.4	292.6	P/E (x)	16.2	21.0	15.5	15.5
EBITDA margin (%)	39.9	41.3	37.2	37.1	Price/free cash flow (x)	7.4	16.4	21.4	36.4
Net income (CZK bn)	31.8	27.7	37.6	37.4	Dividend yield (%)	5.4	4.4	3.8	5.1
EPS (CZK)	59.1	51.5	69.8	69.6	Price/book value (x)	2.2	2.4	2.3	2.2
Dividend/share (CZK)	52.0	47.0	41.0	55.0	P/S (x)	1.5	1.7	1.9	2.0
Interest cover (x)	30.7	20.2	12.6	13.3	EV/S (x)	2.1	2.6	2.8	3.0
Payout (%)	80.6	79.5	79.6	78.8	EV/EBITDA (x)	5.3	6.2	7.6	8.0
Net debt/EBITDA (%)	1.5	1.9	2.3	2.6	EV/IC (x)	1.6	1.8	1.7	1.6

Source: CEZ, Economic & Strategy Research, Komerční banka

Upcoming Events: Results for 4Q25 / 2025 will be published on March 12, 2026.

SOCIETE
GENERALE
GROUP

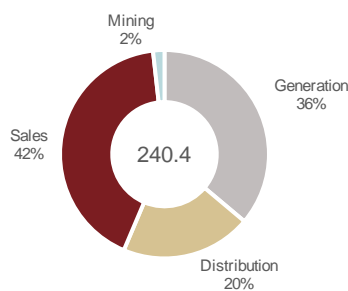


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Company overview

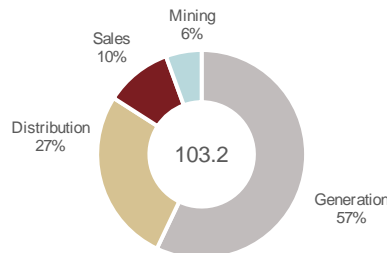
Strengths	Weaknesses
<ul style="list-style-type: none"> ▪ Strong position of the company throughout Europe ▪ Vertical integration from coal mining and electricity generation to distribution ▪ A wide portfolio of production sources ▪ Provides services in the field of energy savings and smart solutions (ESCO services) ▪ Low emissions intensity 	<ul style="list-style-type: none"> ▪ Government influence and impact of political decisions on the company's management ▪ Less efficient operation of some coal-fired power plants ▪ Strict state regulation of electricity generation and the distribution process ▪ Uncertainty of natural gas sourcing due to geopolitical tensions
Opportunities	Threats
<ul style="list-style-type: none"> ▪ Dividend policy with maximum payout potential ▪ Subsidies from the Modernisation Fund for investments in RES ▪ Increasing carbon prices with a positive impact on CEZ profitability due to the anticipated decrease in their needs ▪ Closure of nuclear and coal-fired power plants in Western Europe ▪ Expected abolition of the special WFT, as the reasons for its introduction have disappeared. 	<ul style="list-style-type: none"> ▪ Construction of a new nuclear block without state guarantees ▪ Lower support for electricity generation from renewable sources ▪ Increased demand for emissions allowances in the case of production failure by non-emissions sources ▪ Special taxes: The cap on sales by production source and windfall profits tax continues.

Revenues by segment (9M25, CZKbn)



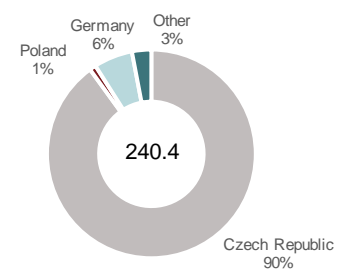
Source: CEZ

EBITDA by segment (9M25, CZKbn)



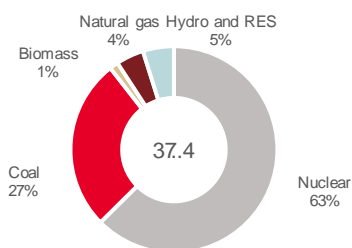
Source: CEZ

Revenues by region (9M25, CZKbn)



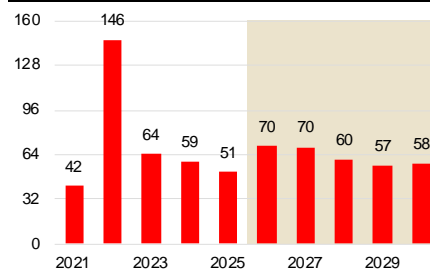
Source: CEZ

Electricity generation by fuel (9M24, TWh)



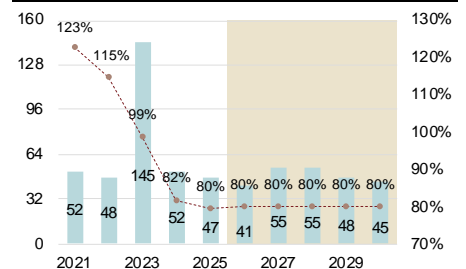
Source: CEZ

EPS (CZK)



Source: CEZ; Economic & Strategy Research, Komerční banka

Dividend per share (CZK)



Source: CEZ; Economic & Strategy Research, Komerční banka; in year in which is paid

Sector trends

Electricity prices

The price of electricity has fallen in recent years. Contracts for next year are now trading at €85/MWh. This level has been maintained for about two years, with significantly reduced volatility. This is a significant decline compared to the crisis years of 2022 and 2023, when electricity was trading at hundreds of euros per megawatt hour (MWh). At that time, the market was affected by uncertainty regarding the availability of energy resources, especially gas.

The price of futures contracts for the coming years continues to fall. As an illustration, the price will fall from the current €85/MWh to around €73/MWh in 2030.

Gas

The price of electricity is influenced by gas and emission allowances. At the beginning of the winter season, uncertainty about supplies and empty storage facilities drove the price of gas to record highs in the crisis years of 2022 and 2023. However, the price of gas has fallen to around €30/MWh, where it has recently traded.

Like electricity, the price of gas has fallen significantly.

Emissions Allowances

Last year (2025), the average price of emission allowances was €74/t. The previous year (2024), the average price was €65/t, with prices falling as low as €50. Like the previous two commodities, this is a significant decline compared to previous years, when the price reached nearly €100. Currently, it is trading at around €85/t. Contracts for the coming years indicate an increase to €100/t.

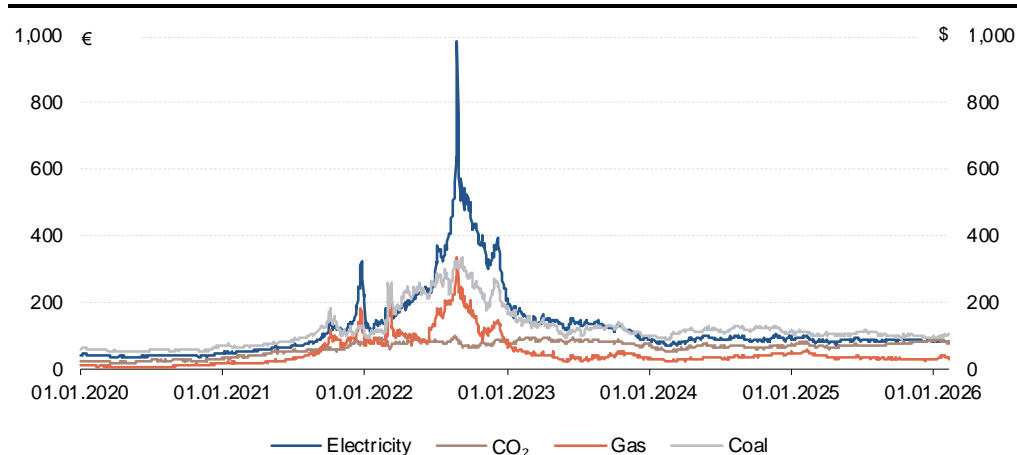
Allowance prices are likely to increase in the coming years.

Coal

The price of thermal coal dropped 15.45% last year. Similar to the other commodities mentioned, it is falling from the highs it reached in 2022. CEZ uses coal from Severoceske doly, a company it wholly owns, as fuel in its brown coal power plants.

The price of thermal coal is dropping.

Power prices (€/MWh), CO₂ (€/MWh), coal (\$/t) and gas (€/MWh)



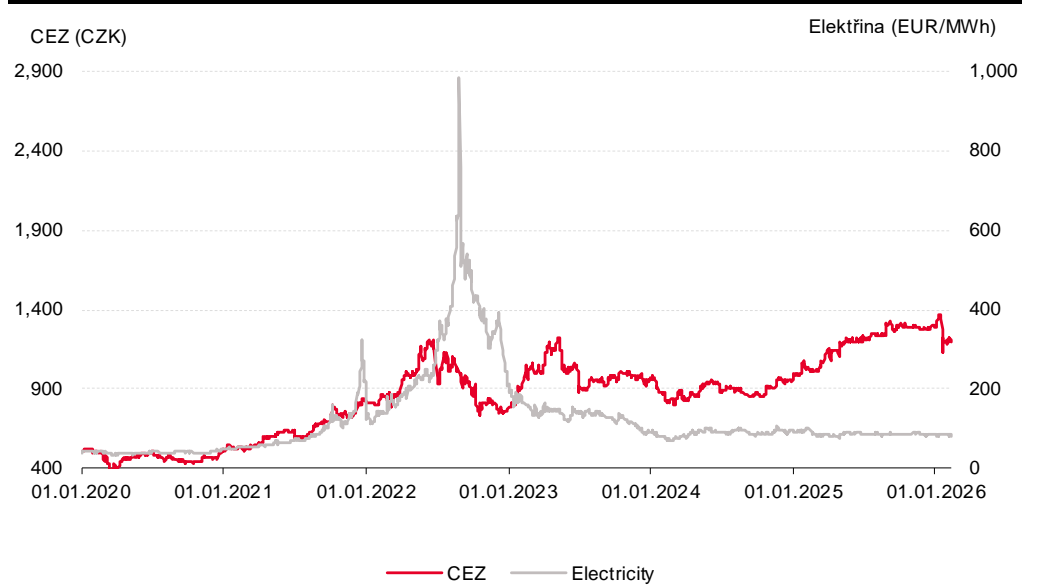
Source: Bloomberg

There was a share price correction at the beginning of the year.

In recent years, the price of CEZ shares has followed a similar trend to that of electricity prices. However, the prices diverged due to the geopolitical situation, which affected commodity prices. Another possible reason is the introduction of special taxes. Last year, the price of CEZ shares rose by +35.32%. This may be due to speculation about the nationalization of the company and the expected premium above the market price. However, at the beginning of this year, the share price fell, and CEZ surrendered part of its autumn gains. This may have been related to

speculation or uncertainty about how a possible squeeze-out of minority shareholders might proceed.

Development of CEZ's shares vs. German electricity prices



Source: Bloomberg

Company results

3Q25 / 9M25 results

Net profit beat, but EBITDA missed.

CEZ reported a 56% yoy increase in net profit to CZK5.5bn for the 3Q25. This figure surpassed market consensus by +10%. However, this was influenced by a significant decline in the effective tax rate. EBITDA of CZK29.3bn (-5.7% yoy) fell short of estimates by 7%. CEZ reiterated its full-year EBITDA profit projection but lowered the upper end of its original net profit expectation.

Total revenues for 3Q25 amounted to CZK72.9bn, which is an 11.6% yoy decrease. EBITDA reached CZK29.3bn in the third quarter, representing a yoy decrease of 5.7%. The Generation segment declined by 19% yoy due to lower realized electricity prices (€124/MWh compared to €135/MWh), decreased production from emission sources, and the poorer performance of hydro and gas power plants. These declines were partially offset by higher production (+3.4% yoy) from nuclear power plants. Unlike last year, there were no profits from trading. CEZ also lowered its expectations for coal-fired power plant production for the entire year. The Distribution segment grew by 46% yoy, mainly due to the consolidation of GasNet, which joined the group on September 1, 2024. The Sales segment grew by 15% yoy, mainly due to the significant increase in performance of ESCO companies (+148% yoy), which compensated for a one-off item (CZK1.3bn in 3Q24) that did not recur last year. Mining declined by 28% yoy. The EBITDA margin increased by 2.5pps to 40.2%. Net profit, adjusted for extraordinary items in 3Q25, increased significantly by 56% to CZK5.5bn. The difference compared to 3Q24 is the effective tax rate. Last year, it was 56.4%, whereas in 3Q24, it was 88%. CEZ also recorded a CZK0.4bn loss from Rolls-Royce SMR operations. This item is likely to recur in subsequent periods.

Leverage (net debt/EBITDA) rose slightly to 1.5x after dividend payments, compared to 1.3x in 1H25 and 1.5x at the end of 2024.

2025 Guidance: CEZ reiterated its EBITDA profit projection of CZK132-137bn for 2025. CEZ management lowered the upper end of the expected range to a net profit of CZK26-28bn. The previous estimate was CZK26-30bn. With an 80% payout ratio, this implies a dividend of nearly CZK42.

3Q25 / 9M25 results

CZKbn	3Q24	3Q25	y/y	KB	vs KB	Cons.	vs Cons.	9M24	9M25	y/y
Revenues	82.4	72.9	-12%	80.6	-9.6%	76.9	-5.3%	244.1	240.4	-1.5%
EBITDA	31.1	29.3	-5.7%	32.0	-8.6%	31.5	-7.1%	100.2	103.2	2.9%
margin	37.5%	40.2%	2.5pps	39.7%	0.5pps	41.0%	-0.8pps	41.1%	42.9%	1.9pps
EBIT	19.1	15.2	-20%	17.1	-11%	17.5	-13%	70.4	60.7	-14%
Net Income	2.0	5.1	155%	5.6	5.6%			23.0	21.5	-6.5%
Adj. Net Income	3.5	5.5	56%	5.8	5.8%	5.0	10%	24.6	22.2	-9.7%

Source: CEZ, Economic & Strategy Research, Komerční banka

Estimates for 4Q25 / FY25 results

We expect CEZ to meet its full-year projections for 2025.

We estimate EBITDA at CZK33.9bn for the fourth quarter of last year. This figure represents an 8.8% yoy decline. One reason for this decline is the decrease in realized power prices, from €135/MWh to €124/MWh. According to our estimates, net profit should reach CZK5.5bn, which is a 19% yoy decline.

FY 2025: We expect EBITDA to reach CZK137.1bn (-0.3% yoy), virtually the same as in 2024. Adjusted net profit would then decrease by 12.9% yoy to CZK27.7bn.

Compared to its full-year targets, CEZ appears to have exceeded the upper limit of its EBITDA outlook, which was CZK132-137bn. Regarding net profit, we believe it nearly reached the upper end of its expectations, which were set at CZK26-28bn.

A net profit of CZK27.7bn corresponds to a dividend of CZK41 per share at an 80% payout ratio. Compared to the market price, this offers a gross yield of +3.5%.

Expected results for 4Q25 / 2025

CZKbn	4Q24	e4Q25 (KB)	y/y	2024	e2025 (KB)	y/y
Revenues	100.6	91.5	-9.0%	344.7	331.9	-3.7%
EBITDA	37.2	33.9	-8.8%	137.5	137.1	-0.3%
margin	37.0%	37.1%	0.1pps	39.9%	41.3%	1.4pps
EBIT	23.0	19.7	-14%	93.4	80.4	-14%
Adjusted Net Income	6.8	5.5	-19%	31.8	27.7	-13%

Source: CEZ, Economic & Strategy Research, Komerční banka

Special taxes

The special tax (WFT) ended in 2025.

In 2026, the special tax on windfall profits will no longer apply.

A windfall tax, or a special tax on unexpected profits, was **introduced for the years 2023-2025. A 60% withholding tax was applied to the average from 2018 to 2021, which was then increased by 20%.** However, this tax did not only apply to energy companies.

In 2023, CEZ paid CZK30.1bn to the WFT. The following year, that figure increased to CZK32.1bn. For last year, 2025, CEZ should pay between CZK31bn and CZK34bn. **Over the past three years, CEZ has paid the state approximately CZK95bn in windfall taxes. Additionally, it paid levy on excess sales in the amount of CZK10bn in 2023.**

We still perceive the risk of special taxes being introduced.

In our opinion, additional regulation is one of the threats to CEZ's business. In this case, political risk takes the form of special taxes, for example.

Net profit increases, dividend increases.

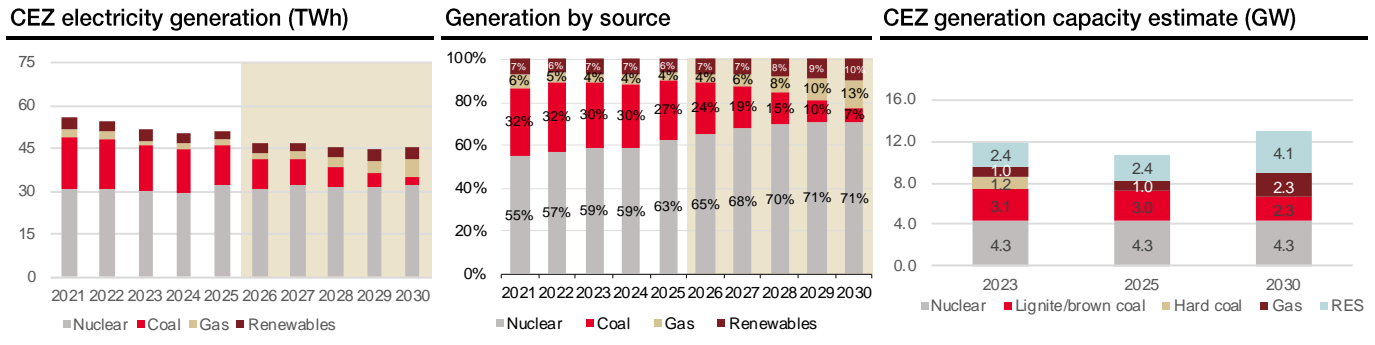
2026 is the first year in which high special taxes will not have a negative impact on net profit. This will mean growth in net profit. Net profit serves as the basis for calculating dividends. Therefore, dividends from 2026 profits, which will be paid out in 2027, will also increase (see below).

Long-term forecasts

The importance of nuclear power plants in the production mix will increase.

Last year, nuclear power plants generated 32.07 TWh of electricity. This was +8% more than the previous year. In 2025, CEZ's total production is expected to reach approximately 51 TWh, which is a +1% yoy increase. Nuclear power plants accounted for a significant portion of total production, generating 63% of the total electricity produced. Coal-fired power plants accounted for 27% of total production (13.9 TWh), gas accounted for 4% (1.9 TWh), and renewable sources accounted for 6% (3.2 TWh).

The importance of nuclear power plants in CEZ's production portfolio will increase. We do not expect a new source to be added during this period, but the share of production generated by nuclear power plants will increase as coal production declines. This is due to the price of electricity compared to the price of emission allowances. The decline in coal production will not come close to compensating for the expected increase in production from renewable sources and gas assets. Consequently, CEZ's installed capacity will decrease. Since nuclear output will remain unchanged, its share of total capacity will grow. We estimate that nuclear sources will generate 71% of CEZ's total electricity in 2030. The graphs below clearly show electricity production and installed capacity.



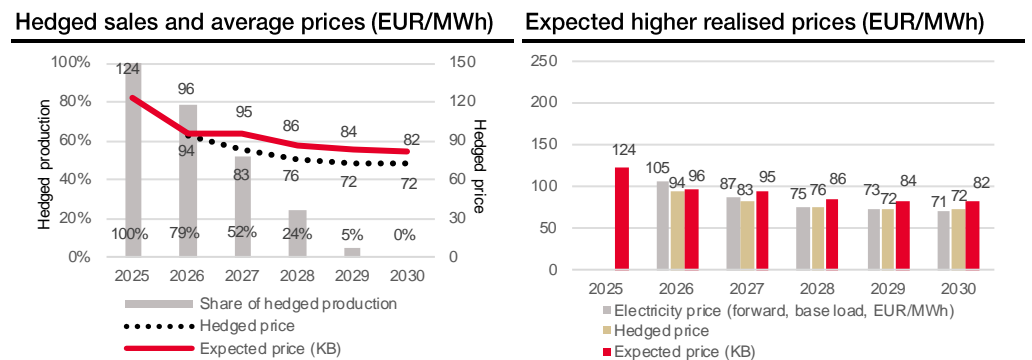
Source: CEZ, Economic & Strategy Research, Komerční banka

The realized price of electricity will fall from €124/MWh achieved in 2025.

Expected decline in realized power prices

At the beginning of last year, the price of electricity was above €100/MWh. However, it then fell rapidly, remaining at around €85/MWh for the rest of the year. Last year, CEZ's sales price was approximately €124/MWh. This difference is due to pre-sales from previous years, when the price of electricity was significantly higher. We expect the price of electricity to fall to around €82/MWh in the coming years.

The following charts compare the hedged price, our projections, and the forward price for the coming years.



Source: CEZ, Economic & Strategy Research, Komerční banka

Source: CEZ, Bloomberg

The numbers will decline.

Earnings estimates

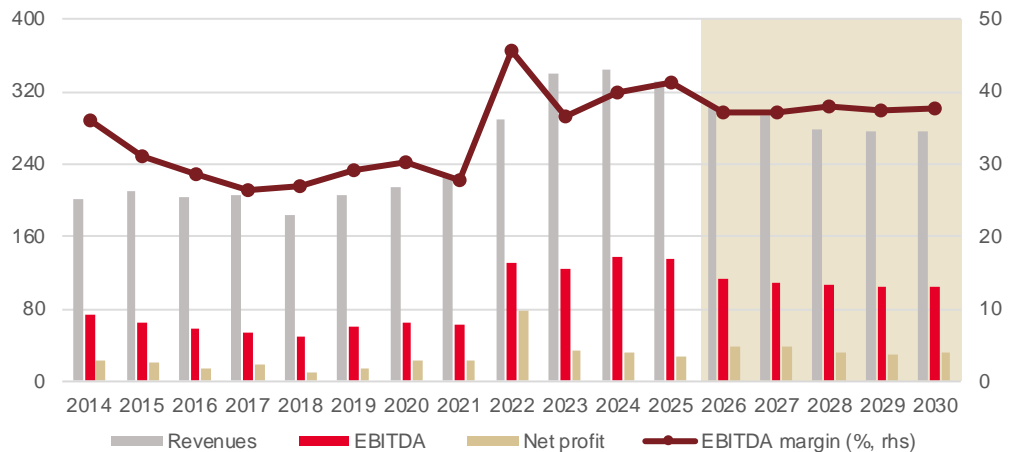
So far, we only know the results for 9M25 from last year. We estimate total revenues for 2025 to be CZK332bn. Compared to the previous year, this represents a slight 3.7% decline. During the period (2025-2030), we expect revenues to decline further to below CZK280bn in 2030. The average annual rate of decline would be 3.7% (CAGR 2025–2030). One reason for the decline is the lower realized price of electricity.

When presenting its 3Q25 / 9M25 results, CEZ reiterated its EBITDA target of CZK132-137bn. For the first nine months of 2025, EBITDA was CZK103.2bn, or 77% of the full-year target. According to our estimates, EBITDA for last year will be CZK137.1bn. Thus, CEZ will meet its projection. Similar to revenues, EBITDA is also expected to decline in the coming years. By the end of the period, EBITDA is expected to reach CZK104bn, reflecting a -4.6% (CAGR 2025-2030). The EBITDA margin should remain within a narrow range of 38%.

For 2025, CEZ's net profit target is in the range of CZK26-28bn. The reported net profit for the first nine months of 2025 is CZK22.2bn. This figure represents 82% of the full-year projection. We estimate net profit at CZK27.7bn for last year. For the final year of the period, we estimate net profit to be CZK31bn. This corresponds to an average annual growth rate of -0.4%.

The graph shows a sharp decline in net profit from 2023 to 2025. This decline is due to the introduction of a special tax on excess profits during this period. This significantly increased the effective tax rate to an average of 62%. This year, however, only the standard tax rate of 21% should apply. The lower tax rate will positively impact net profit, which is expected to increase significantly from CZK27.7bn to CZK37.6bn.

CEZ results forecasts (CZKbn)



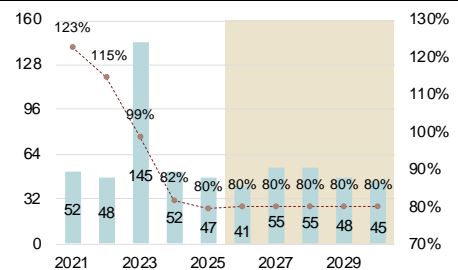
Source: CEZ, Economic & Strategy Research, Komerční banka

Dividend policy

A dividend of CZK41 per share could be paid from the profits of 2025.

According to CEZ's current dividend policy, 60-80% of the adjusted net profit will be distributed. Last year's net profit is expected to reach CZK27.7bn. At an 80% payout, this equates to a dividend of CZK41 per share, compared to CZK47 paid the previous year. Thus, the dividend of CZK41 indicates a gross yield of 3.5%.

Expected dividend payment per share (CZK)



Source: CEZ, Economic & Strategy Research, Komerční banka; in year in which is paid

We expect the payout ratio to reach the upper end of the dividend policy.

There should be an increase in dividends in 2027, when they are paid out of profits from 2026. The year 2026 will be the first that CEZ's financial results are not burdened by a special tax on excessive profits. We expect a payout of CZK55 per share (80% payout, gross yield 4.7%). Assuming the dividend policy remains at its current level, the dividend will grow at the same rate as net profit.

A record dividend of CZK145 per share was paid out in 2023. This was due to a sharp increase in net profit, which reached CZK78.4bn. Additionally, the Ministry of Finance, which exercises shareholder rights on behalf of the state, proposed to the General Meeting that the entire net profit be paid out. Originally, CEZ management proposed an 80% payout, or CZK117 per share, in accordance with the dividend policy.

Paying a 100% dividend for 2025 (to be paid in August 2026) would mean CZK51 per share. This is our optimistic scenario. It would correspond to a gross yield of +4.4%. However, given the WFT for 2025, we do not expect this to happen. A 100% dividend could return from 2026 profits. Our base case is CZK55, with an optimistic estimate of CZK69.

However, dividend payments for 2023, 2024, and 2025 were negatively affected by the introduction of a special tax on excess profits (WFT). This reduced net profit and dividends. The dividends for 2021 and 2022 consisted of a portion of the net profit, as well as extraordinary payments related to the divestment of Romanian and Bulgarian assets, respectively.

Indebtedness

The leverage of CEZ will increase.

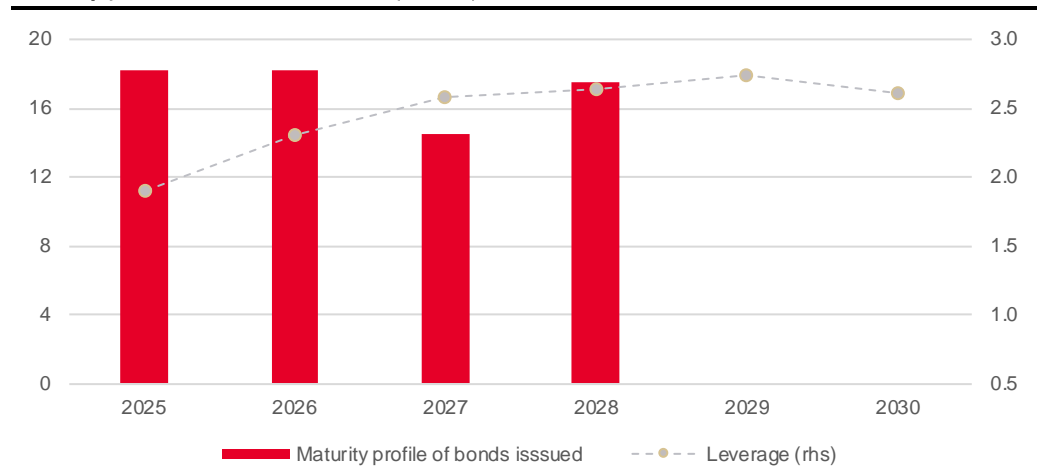
For the first nine months of 2025, CEZ's leverage was 1.5x (net debt/EBITDA). We estimate a slight increase to 1.8x for the whole of 2025. In subsequent years, debt is expected to grow to an estimated 2.7x.

For last year (2025), CEZ estimates its indebtedness at 1.6-1.8x. However, management projects that it will grow to 3.0-3.5x by 2030.

CAPEX is expected to exceed CZK400bn between 2025 and 2030. High investment costs should contribute to decarbonization, among other things. Investments should mainly flow into distribution and production sources.

The chart below shows the maturity of bonds in the coming years. Bonds worth up to CZK20bn per year will mature in the coming years.

Maturity profile of the issued bonds (CZKbn)



Source: CEZ, Economic & Strategy Research, Komerční banka

The government plans to take control of CEZ's production

The government plans to take control of CEZ's production.

The government plans to gain full control of CEZ's production assets. Currently, the government owns 69.8% of CEZ. The buyout of minority shareholders will not be financed from the state budget, but through a buyout by CEZ itself, according to the government's policy statement.

The political rhetoric in this regard is quite strong. According to the latest information, the government is preparing to buy out minority shareholders. The process should take between 18 months and two years and will begin in the coming months. Industry Minister Havlicek says that the government has prepared a model that will not significantly impact the state budget or CEZ.

No further information is available. **It is unlikely that any steps will be taken this year**, as the project is apparently still in the preparatory phase.

It is unclear how the nationalization of CEZ's production will take place. Whether the entire CEZ will be bought out and then, for example, divided into a production and regulated part, which

could return to the market. Or whether there will be a division and subsequent buyout of minority shares in the production part.

We can imagine that there are investors who are speculating the squeeze-out of minority shareholders, or rather speculating the expected premium to the current market price.

New nuclear power plants

CEZ sold EDU II to the state. The construction project will be financed by the state.

On May 5, 2025, CEZ sold an 80% stake in Elektrarna Dukovany II (EDU II) to the state. EDU II will be responsible for constructing two new nuclear units. CEZ has a put option to sell its 20% stake, and the state has a call option to purchase CEZ's 20% stake.

CEZ has no obligation to finance the project

South Korean company KHNP will build the new nuclear units. These are expected to be commissioned in 2036 and 2037.

Valuation

Sector comparison

According to multiples, CEZ is generally cheaper than its peers.

The following table shows the multiples of companies in the same sector. These comparable companies operate in Western and Central Europe. According to most ratios, CEZ shares are trading at a discount to the sector. Additionally, CEZ offers one of the highest dividend yield among its competitors.

Peer comparison

	P/E akt.	P/E 2026	P/E 2027	P/S akt.	P/S 2026	EV/ Sales 2027	EV/ Sales 2025	EV/ EBITDA akt.	EV/ EBITDA 2026	EV/ EBITDA 2027	Div. yield akt.	Div. yield 2026	Div. yield 2027
ČEZ (KB estimate)	21.0	15.4	15.5	1.8	1.9	2.0	2.6	6.2	7.6	8.0	3.8	5.1	5.1
ČEZ (consensus)	21.7	22.3	19.1	1.8	n/a	2.5	2.7	5.8	6.1	7.5	4.2	4.4	4.7
EDP SA	25.9	14.6	14.7	1.1	n/a	2.8	2.7	9.6	8.9	8.7	4.6	4.8	4.8
E.ON SE	16.3	16.3	17.4	0.6	n/a	1.0	1.0	9.2	9.2	9.4	2.9	3.1	3.3
Uniper SE	258.9	33.1	29.8	0.2	n/a	0.1	0.1	8.2	9.2	8.6	n/a	1.4	2.4
Endesa SA	15.6	16.0	15.6	1.6	1.6	2.0	2.0	8.0	8.0	7.9	4.4	4.8	5.5
Enel SpA	15.5	14.0	13.5	1.3	1.4	2.1	2.1	8.5	7.9	7.6	5.3	5.3	5.7
Engie SA	n/a	13.2	14.1	0.9	0.9	1.5	1.5	7.7	7.6	7.7	5.6	5.8	5.8
EVN AG	11.0	11.5	12.3	1.7	1.7	2.1	2.1	6.3	7.3	6.8	3.0	3.1	3.3
Fortum Oyj	23.0	20.0	22.2	3.5	3.2	3.5	3.7	15.3	13.1	14.2	3.8	5.5	4.8
Iberdrola SA	24.1	20.9	20.1	2.9	2.8	4.5	4.4	13.5	12.8	12.5	3.4	3.7	3.8
RWE AG	22.9	22.9	20.8	1.8	1.7	2.4	2.3	26.2	11.0	9.6	1.1	2.3	2.7
Verbund AG	12.1	13.8	17.2	2.5	n/a	3.0	3.2	7.9	8.3	9.5	3.2	5.6	3.7
MEDIAN Western Europe	19.6	16.0	17.2	1.6	1.7	2.1	2.1	8.5	8.9	8.7	3.6	4.8	3.8
PGE Polska Grupa Energetyczna	n/a	n/a	5.5	0.4	n/a	0.4	0.4	1.7	1.8	2.2	0.0	0.0	0.0
Energa SA	15.5	n/a	n/a	0.4	n/a	n/a	n/a	7.5	n/a	n/a	n/a	0.0	0.0
Enea SA	15.1	3.7	5.1	0.4	n/a	0.4	0.5	2.8	2.1	2.4	n/a	2.2	5.6
Tauron Polska Energia SA	5.2	5.7	8.0	0.5	n/a	1.0	1.1	4.1	4.3	5.2	n/a	0.0	3.3
MEDIAN Central Europe	15.1	4.7	5.5	0.4	n/a	0.4	0.5	3.4	2.1	2.4	0.0	0.0	1.6
SECTOR MEDIAN	15.6	14.6	15.1	1.1	1.7	2.0	2.1	8.0	8.2	8.2	3.4	3.1	3.7
ČEZ vs. sector (consensus)	39%	52%	26%	61%	n/a	22%	32%	-27%	-25%	-8%	23%	40%	27%
ČEZ vs. sector (KB estimate)	34%	6%	2%	61%	14%	-3%	25%	-22%	-7%	-2%	10%	64%	37%
ČEZ vs. w Evropa (KB estimate)	7%	-3%	-10%	16%	14%	-7%	20%	-27%	-15%	-8%	5%	5%	33%

Source: Bloomberg, Economic & Strategy Research, Komerční banka

Target price

We are setting a new Target Price of CZK1,079.

We determined the fair value of CEZ shares using the discounted free cash flow (DCF) model for the period 2025-2030. We discounted free cash flows using WACC (weighted average cost of capital) in the range of 6.2-5.7% for the period under review and 5.6% for the terminal. This is based on long-term growth of 2%. Based on the DCF model, we are updating our target price corresponding to a fair value to CZK1,079 per share. Compared to the current market price, our target price represents a decline of 7.7%. The total return, including dividends, is -4.2%. This corresponds to a Sell recommendation.

CEZ valuation

	2025	2026	2027	2028	2029	2030	LT
Calculation of the required rate of return							
risk-free rate	4.4%	4.5%	4.6%	4.5%	4.3%	4.2%	4.2%
beta	0.69	0.69	0.69	0.69	0.69	0.69	0.69
equity risk premium	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
country risk premium	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
cost of equity	8.6%	8.7%	8.8%	8.7%	8.6%	8.5%	8.5%
weight of debt	50.9%	49.3%	50.6%	50.2%	50.1%	48.5%	48.5%
cost of debt (after tax)	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%
WACC	6.2%	5.7%	5.7%	5.6%	5.6%	5.6%	5.6%
Discounted cash flow model (CZKbn)							
EBITDA	137.1	112.5	108.5	105.9	103.3	104.1	
Amortization of nuclear fuel	4.0	4.1	4.2	4.2	4.3	4.4	
Taxes paid	-50.0	-10.3	-9.2	-8.0	-7.5	-7.3	
Change in working capital and provisions	-0.7	-9.1	-17.5	7.9	2.0	11.5	
CAPEX	-55.0	-70.0	-70.0	-70.0	-70.0	-70.0	
FCFF	35.4	27.2	16.0	40.1	32.2	42.7	
price / free cash flow	16.4	21.3	36.4	14.5	18.1	13.6	
Present value of FCFF	33.3	24.3	13.5	32.0	24.3	30.6	
Sum of present values of FCFF until 2029	158.0						
Present value of FCFF after 2029	860.7						
Net debt	260.0						
Nuclear, mining and other provisions	184.1						
Financial investments	3.6						
Joint ventures and associates	11.3						
Minorities	8.8						
Estimated value of equity	580.7						
Fair value (CZK per share)	1,079						
Target price (CZK per share)	1,079						

Source: Economic & Strategy Research, Komerční banka

The following tables show the sensitivity of our target price to changes in key parameters, namely the discount rate, long-term growth rate, and electricity prices.

Sensitivity analysis

		WACC				
		-100bps	-50bps	5.6 % / 5.6 % *	+50bps	+100bps
Long-term growth	1.0%	1,084	882	724	597	492
	1.5%	1,350	1,084	882	724	597
	2.0%	1,710	1,344	1,079	879	721
	2.5%	2,261	1,719	1,350	1,084	882
	3.0%	3,138	2,261	1,719	1,350	1,084

		Long-term growth in electricity prices				
		0.0%	1.0%	2.0%	3.0%	4.0%
Forward prices	-20%	1,290	993	779	616	488
	-10%	1,489	1,164	929	751	611
	0%	1,688	1,335	1,079	886	734
	10%	1,888	1,506	1,230	1,020	856
	20%	2,087	1,677	1,380	1,155	979

Note: * the first value corresponds to the average for the years 2022-26, the second value after 2026; Source: Economic & Strategy Research, Komerční banka

Major risks

- **Political risk** - The government has introduced a special windfall profits tax for 2023-2025. We see a risk that this will be extended or that other special or sectoral taxes will be introduced.
- **Electricity prices** - CEZ share prices are significantly affected by the development of electricity prices on European markets. A significant deviation of German electricity prices from our forecasts may cause a different development of CEZ's profits than we currently expect.
- **Production mix** - In the coming years, we expect full utilisation of nuclear power plants. This has an impact on the development of profit margins. Should longer nuclear block shutdowns occur, it would lead to lower margins.
- **Renewal of the production portfolio** - CEZ has completed the modernisation of its coal-fired power plants. The highest share of investment should go to distribution, renewables and the closure and transformation of production from coal to low emissions. Any contribution to the construction of a new nuclear unit could have a strong negative impact on our valuation.
- **Regulation** - The energy sector suffers from strict regulation and in some countries also comes under political and public pressure. The potential reduction in support for electricity production from renewable sources is also a major risk.
- **Exchange rate developments** – Although the company is naturally hedged against fluctuations of the EUR/CZK exchange rate, the stronger-than-expected appreciation of CZK against EUR would be negative for CEZ. The impact on electricity prices (Czech prices are derived from German prices in EUR) could outweigh the euro-debt reduction. The weakening of the Turkish lira against USD leads to a decline in profits from affiliates and joint ventures and an increase in financial liabilities due to the loan guarantee provided to the Turkish company AkCEZ.
- **Acquisitions** – Potential acquisitions are not included in our forecasts. Big M&A deals would likely increase CEZ's consolidated profits as well as its debt. The impact on our target price and recommendation might be either positive or negative depending on the parameters of the transaction.
- **Tax burden** – Special taxes, the revenue cap and the windfall profits tax are intended to be temporary. However, if they were to be extended, they would have a negative impact on earnings and subsequently on dividend payments. Any additional special or sectoral taxes would have a similar negative effect.

CEZ financials

CZKm	2021	2022	2023	2024	e2025	e2026	e2027	e2028	e2029	e2030
INCOME STATEMENT										
Sales	227,793	288,485	340,585	344,709	331,897	302,431	292,557	278,725	275,630	275,749
Cost of materials, services and fuel	-127,285	-162,010	-180,660	-171,390	-155,578	-145,610	-141,750	-135,619	-131,681	-131,950
Salaries (total)	-30,591	-33,915	-37,783	-42,538	-46,115	-48,421	-49,389	-50,377	-51,385	-52,413
Other costs	-1,924	-1,890	-12,498	680	3,816	4,139	7,074	7,213	4,763	6,691
EBITDA	63,240	131,568	124,839	137,462	137,112	112,539	108,492	105,941	103,327	104,078
D&A and impairments	-47,427	-29,893	-40,636	-44,267	-55,578	-52,925	-51,247	-54,703	-54,482	-54,189
Operating profit (loss)	16,098	101,927	84,512	93,443	80,437	59,013	57,246	51,238	48,845	49,889
Interest income	431	3,804	6,279	3,522	3,182	3,103	4,048	5,051	5,923	6,718
Interest expense	-4,206	-5,013	-6,299	-6,561	-7,172	-7,786	-8,337	-8,889	-9,440	-9,991
Interest on provisions	-2,014	-2,861	-7,289	-8,066	-7,945	-8,154	-8,602	-9,051	-9,501	-9,952
Other financial income/expense	3,117	1,766	1,813	1,102	-129	667	1,869	1,780	1,761	1,761
Profit (loss) before taxes	13,426	99,623	79,016	83,440	68,373	46,842	46,223	40,131	37,588	38,425
Taxes	-3,517	-18,918	-49,442	-52,926	-41,674	-9,837	-8,782	-7,625	-7,142	-7,301
Net profit (loss)	22,300	78,400	34,700	31,800	27,704	37,606	37,441	32,506	30,446	31,124
BALANCE SHEET										
Share Capital	52,376	52,465	52,465	52,465	52,465	52,465	52,465	52,465	52,465	52,465
Retained Earnings	108,722	206,421	191,587	186,038	187,451	202,399	210,251	213,167	217,790	224,704
Shareholders' Funds	161,098	258,886	244,052	238,503	239,916	254,864	262,716	265,632	270,255	277,169
Long-term Debt	95,925	140,234	131,042	218,426	238,426	258,426	278,426	298,426	318,426	338,426
Other Long-term Liabilities	32	31	31	31	31	31	31	31	31	31
Capital Employed	257,055	399,151	375,125	456,960	478,373	513,321	541,173	564,089	588,712	615,626
Fixed Assets	403,092	435,119	452,132	579,238	590,863	601,716	620,060	635,952	652,486	667,440
Intangible Assets	23,854	24,423	27,801	33,771	31,998	32,922	33,846	34,769	35,693	36,617
Financial Investments	533,820	320,528	171,059	103,739	92,132	110,061	132,798	129,651	129,304	129,797
Cash and Marketable Securities	26,640	36,609	10,892	40,324	8,413	29,210	27,084	48,007	64,445	94,682
Inventories	33,480	55,009	53,931	50,235	51,681	46,513	45,582	44,671	43,777	42,902
Receivables	148,521	218,674	87,081	70,572	77,288	71,636	69,743	67,090	70,272	66,519
Other Assets	13,674	17,018	22,869	23,214	23,678	24,152	24,635	25,128	25,630	23,580
Short Term Debt	41,965	61,912	37,868	29,053	29,994	29,694	29,397	29,103	28,812	28,524
Payables	88,176	101,238	62,137	53,783	52,926	48,486	46,998	44,914	44,447	44,465
Trade Provisions	130,034	159,862	209,328	232,817	208,218	214,842	221,853	229,212	236,885	244,840
Other Liabilities	665,851	385,217	141,307	128,480	106,542	109,868	114,327	117,950	122,752	128,081
Capital Employed	257,055	399,151	375,125	456,960	478,373	513,321	541,173	564,089	588,712	615,626
Total assets	1,183,081	1,107,380	825,765	901,093	876,053	916,210	953,748	985,268	1,021,608	1,061,537
CASH FLOW										
Profit (loss) before taxes	13,426	99,623	79,016	83,440	68,373	46,842	46,223	40,131	37,588	38,425
Depreciation	31,628	32,757	35,336	41,709	55,578	52,925	51,247	54,703	54,482	54,189
Amortization of nuclear fuel	4,110	3,907	3,655	3,767	4,003	4,083	4,165	4,248	4,333	4,420
Other non-cash items	-14,732	98,839	35,952	1,551	-3,067	7,412	6,318	5,760	5,421	5,184
Change in working capital	32,312	-224,255	44,377	45,013	-1,780	-10,122	-18,565	6,802	831	10,339
Tax paid	-3,550	-5,409	-60,313	-49,594	-50,009	-10,329	-9,222	-8,006	-7,499	-7,301
Interest paid, net	-4,051	-397	147	-1,701	-3,990	-4,683	-4,289	-3,837	-3,517	-3,273
Dividend received	13	27	33	250	50	50	50	50	50	50
Operating cash flow	59,156	5,092	138,203	124,435	69,158	86,179	75,927	99,851	91,688	102,033
Cash flow from investing activities	-7,118	-36,712	-46,691	-76,653	-55,000	-70,000	-70,000	-70,000	-70,000	-70,000
Dividends paid	-27,963	-25,649	-77,408	-28,410	-25,286	-22,058	-29,589	-29,589	-25,824	-24,210
Cash flow from financing activities	-31,462	41,589	-117,229	-18,350	-46,069	4,618	-8,054	-8,928	-5,250	-1,796
Change in cash	20,576	9,969	-25,717	29,432	-31,911	20,797	-2,126	20,923	16,439	30,237

Source: CEZ, Economic & Strategy Research, Komerční banka

CEZ financials

	2021	2022	2023	2024	e2025	e2026	e2027	e2028	e2029	e2030
RATIOS (%)										
EBITDA margin	27.8	45.6	36.7	39.9	41.3	37.2	37.1	38.0	37.5	37.7
Operating margin	7.1	35.3	24.8	27.1	24.2	19.5	19.6	18.4	17.7	18.1
Pre-tax margin	5.9	34.5	23.2	24.2	20.6	15.5	15.8	14.4	13.6	13.9
Net margin (adjusted)	9.8	27.2	10.2	9.2	8.3	12.4	12.8	11.7	11.0	11.3
EBIT/Interest (x)	4.3	84.3	4,225.6	30.7	20.2	12.6	13.3	13.4	13.9	15.2
Net debt/Equity (x)	0.7	0.6	0.6	0.9	1.1	1.0	1.1	1.1	1.0	1.0
Net debt/EBITDA (x)	1.8	1.3	1.3	1.5	1.9	2.3	2.6	2.6	2.7	2.6
ROE	11.3	37.3	13.8	13.2	11.6	15.2	14.5	12.3	11.4	11.4
ROA	2.4	6.8	3.6	3.7	3.1	4.2	4.0	3.4	3.0	3.0
ROCE	7.3	23.9	9.0	7.6	5.9	7.6	7.1	5.9	5.3	5.2
Dividend payout	122.7	115.8	99.5	80.6	79.5	79.6	78.7	79.0	79.4	79.5
DATA PER SHARE (CZK)										
EPS (adj.)	41.6	145.7	64.5	59.1	51.5	69.9	69.6	60.4	56.6	57.9
Book value	300.7	482.2	453.6	443.3	445.9	473.7	488.3	493.7	502.3	515.2
Free cash flow	128.3	-222.3	134.5	128.7	65.7	50.6	29.7	74.6	59.8	79.4
Gross dividend	52.0	48.0	145.0	52.0	47.0	41.0	55.0	55.0	48.0	45.0
MARKET VALUATION										
P/E (x)	19.9	5.3	14.9	16.2	21.0	15.4	15.5	17.9	19.1	18.7
Price/Operating cash flow (x)	6.6	38.0	2.6	2.9	4.7	5.7	6.5	5.2	5.7	5.2
Price/free cash flow (x)	6.4	-3.5	7.1	7.4	16.4	21.3	36.4	14.5	18.1	13.6
Price/book value (x)	2.8	1.6	2.1	2.2	2.4	2.3	2.2	2.2	2.1	2.1
Price/sales (x)	1.9	1.4	1.5	1.5	1.7	1.9	2.0	2.1	2.1	2.1
Dividend yield (%)	6.3	6.2	15.1	5.4	4.4	3.8	5.1	5.1	4.4	4.2
EV/revenues (x)	2.4	2.0	2.0	2.1	2.6	2.8	3.0	3.1	3.2	3.1
EV/EBITDA (x)	8.8	4.4	5.4	5.3	6.2	7.6	8.0	8.2	8.5	8.3
EV/IC (x)	2.2	1.5	1.8	1.6	1.8	1.7	1.6	1.5	1.5	1.4

Source: Economic & Strategy Research, Komerční banka

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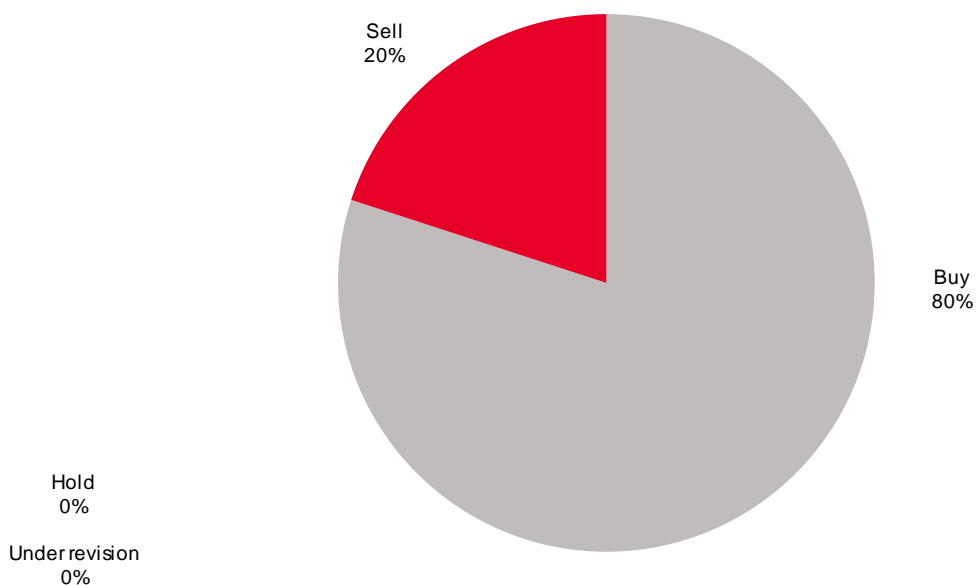
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The chart below shows the structure of grades of valid investment recommendations of equity research of KB Economic & Strategy Research (5 recommendations).

Investment recommendations of KB equity research



Source: Economic & Strategy Research, Komerční banka

KB Equity Research ratings on a 12 month period

BUY: absolute total shareholder return forecast of 15% or more over a 12 month period.

HOLD: absolute total shareholder return forecast between 0% and +15% over a 12 month period.

SELL: absolute total shareholder return forecast below 0% over a 12 month period.

Total shareholder return means forecast share price appreciation plus all forecast cash dividend income, including income from special dividends, paid during the 12 month period. Ratings are determined by the ranges described above at the time of the initiation of coverage or a change in rating (subject to limited management discretion). At other times, ratings may fall outside of these ranges because of market price movements and/or other short term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by research management.

Overview of recommendations published by KB and relationships with particular issuers

	CEZ	Colt CZ Group SE	Kofola	MONETA Money Bank	Philip Morris CR	Avast	O2 CR
Overview of last investment research and recommendations related to stocks of particular issuers							
Recommendation	Sell	Buy	Buy	Buy	Buy	End of coverage	End of coverage
Target price	CZK1,079	CZK893	CZK557	CZK143.3	CZK19,527		
Date	23.02.2026	14.07.2025	04.12.2025	16.01.2025	18.09.2025	07.09.2022	25.02.2022
Price on the day of the publication	CZK1,169	CZK738	CZK480	CZK128.8	CZK18,000	CZK205.1	CZK270
Investment horizon	12 months	12 months	12 months	12 months	12 months		
Author	B. Trampota	B. Trampota	B. Trampota	B. Trampota	B. Trampota		
Overview of investment researches and recommendations							
Recommendation	Hold	Buy	Buy	In revision	Buy	Buy	Buy
Target Price	CZK923	CZK921	CZK402	In revision	CZK17,041	GBp600	CZK362
Date	15.11.2024	09.02.2024	03.09.2024	25.07.2024	21.03.2024	11.02.2021	26.03.2021
Recommendation	Buy	Buy	Buy	Buy	Hold	Buy	Buy
Target Price	CZK1,034	CZK652	CZK313	CZK104.6	CZK18,349	GBp466	CZK293
Date	07.09.2023	16.12.2022	29.05.2023	05.09.2022	03.03.2023	30.08.2019	08.01.2020
Recommendation	Buy	Buy	Buy	Buy	Buy	In revision	Buy
Target Price	CZK1,393	CZK645	CZK381	CZK104.6	CZK18,183	In revision	CZK298
Date	07.06.2022	17.01.2022	12.05.2022	05.09.2022	11.02.2022	14.08.2019	12.12.2018
Recommendation	In revision	In revision	In revision	Buy	Buy	Buy	Hold
Target Price	In revision	In revision	In revision	CZK109.7	CZK16,512	GBp342	CZK270
Date	10.05.2022	31.03.2021	15.02.2022	31.08.2021	20.11.2020	15.06.2018	18.08.2017
Valuation methods	DFCF	DFCF	DFCF	DFCF DDM ERM	DDM	DFCF	DFCF DDM
Frequency of rec. (per year)	once	once	once	once	once	once	once
Direct or indirect share (5% or more) of the issuer of the registered capital of KB	no	no	no	no	no	no	no
Other significant financial interest of KB and/or its linked persons in the issuer	no	no	no	no	no	no	no
KB direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Author's direct or indirect share (0.5% or more) of the registered capital of the issuer.	no	no	no	no	no	no	no
Signific. fin. interest in the issuer of the persons partic. in elaboration of inv. research and rec.	no	no	no	no	no	no	no
Relationships of Komerční banka with particular issuers							
KB Management or co- management of public offerings in the past 12 month	no	yes	no	no	no	no	no
Agreements or contractual relations for providing investment services with the issuer	KB can have concluded agreements with the issuer for providing investment services. This information is protected by bank secret and could not be disclosed.						
Agreement with the issuer on production and dissemination of the research	no	no	no	no	no	no	no
KB market making for common stocks of the issuer	no	no	no	no	no	no	no

Note: DFCF – Discounted free cash flow model, DDM – Discounted dividend model, ERM – Excess return model

Source: Economic & Strategy Research, Komerční banka