Internal Information

State to temporarily help CEZ to finance electricity and gas trade before winter

CEZ has signed a credit agreement with the Ministry of Finance of the Czech Republic for up to EUR 3 billion. This credit agreement allows CEZ to strengthen its liquidity position. It is now at a record high level, however, due to extreme changes in gas and electricity prices, it is necessary to prepare for further extraordinary growth of funds to secure trades in energy commodities in the coming months. This is another step taken by the state and CEZ to strengthen the Czech Republic's energy security.

The Czech government, similarly to the German government, will help the energy company finance a possible increase in margins to cover extreme volatility on the energy commodities market, which might occur, for example, in connection with a complete halt in gas flow from Russia to Europe.

"We are witnessing a high increase in energy commodity prices resulting from reduced supplies from Russia and in anticipation of the operational shutdown of the Nordstream 1 pipeline. The market is already expected to become even more sensitive to cuts and closures in gas supply during the summer and autumn, when the demand to fill gas storage facilities increases across Europe," Daniel Beneš, Chairman of the Board of Directors and CEO of CEZ, added.

Based on the new contract, CEZ expects to draw EUR 2 billion in the coming days. CEZ will be able to draw the remaining EUR 1 billion within five days of requesting the funds, with a maturity of three months. This part of the loan can be drawn repeatedly on the principle of revolving credit.

CEZ had CZK 84.5 billion (EUR 3.4 billion) available in accounts and committed credit lines at the end of March to be able to respond flexibly to changing margin requirements for securing trades on the stock exchange. "We have been strengthening our liquidity since the beginning of the year. Even though this amount of liquidity is record-high in CEZ's entire history, like other European energy companies, hawse have to prepare for the possibility of a complete halt of gas flow from Russia to Europe. Historically, this situation has never yet occurred, but we assume the need for margin financing could even double in such a case," Martin Novák, CFO of CEZ, explained the need for a further increase in liquidity.

The Czech State and the CEZ Group have been working together intensively on measures that significantly contribute to strengthening the energy security of the Czech Republic. In previous weeks, CEZ has purchased gas for the country and its state material reserves and ensured capacity at the LNG gas terminal in the Netherlands. As part of long-term solutions, contracts have been concluded with Westinghouse and Framatome to supply fuel assemblies for the Temelín Nuclear Power Plant, which until now has had a Russian supplier. CEZ will acquire control of the Russian-owned Škoda JS, a key supplier to Czech nuclear power plants.

Commodity margins: Energy producers sells generated energy commodity on the wholesale electricity market, in the case of CEZ on the energy exchange in Leipzig. On this market, risks are hedged using margins, which serve as a form of advance payment, so that the seller or buyer do not withdraw from the agreed deal when the price of energy significantly increases or decreases. These margins are calculated as the difference between the original transaction's selling price and the current market price. Their amount is also influenced by the volatility of the traded commodity.