Team E Student Research

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[*Energetics*]

CEZ Group

21.12. 2010

Ticker: NYSE Euronext: CEZ
Price: 771,5 CZK

Recommendation: Hold
Price Target: 807 CZK

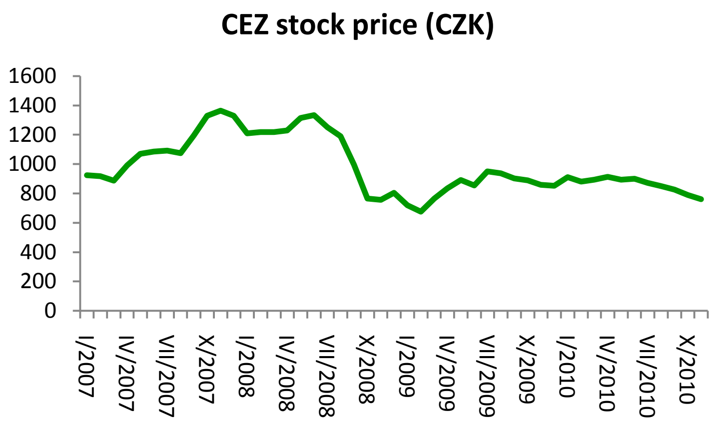
Earnings/Share

	Mar.	Jun.	Sept.	Dec.	Year	P/E Ratio
2007A	21,5	13,4	15,0	23,1	72,9	17,8
2008A	28,8	24,5	23,1	10,6	87,0	9,0
2009A	35,8	23,8	22,4	14,7	96,7	8,9
2010E	23,7	21,0	21,4	12,6	87,7	9,7

Highlights

Future development of sales, income and free cash flow are quite positive. Current stock price of CEZ is undervalued. This is a consequence of previous months because there were several unpleasant news, which pushed share price down. At first we have to mention newly introduced gift tax on free CO_2 emission allowance and therefore rise of costs in the situation where power prices stagnate. We can also name unpleasant dependence on an uncertain political situation in longterm period. CEZ will have to control the policy of costs reduction.

- **Growth of sales** is made by grow in production and since 201f3 steady growth of power prices and GDP, price increase from 52 to 65 EUR/MWH. This increase and stable or lower costs ratio will take effect to bigger and bigger EAT from 2013. There is a drop in EAT in 2010-2012 but it was compred with very strong year 2009. In long term it is not a problem and EAT is still high.
- **Free cash flow to equity** has almost similar development as sales and profits. It is influenced by sum of reneval investmensts which would fall form 2012 to 2017 and would decrease the level of total debts.. Development of the variables refers to increase of FCFE from 2013.
- **Strong customer base and relatively high income** are next needed information. These important value drivers in connection with optimalization of capital structure will have positive effects to stock prices and profits in future.



Market profile	
52 Week Price Range	950,00-736,00
Average Daily Volume	490 953,30
Beta	0,99
Dividend Yield (Estimated)	6,48%
Shares Outstanding	537 989 759
Market Capitalization	415 059
Institutional Holdings	79,86%
Insider Holdings	0,84%
Book Value per Share	1 018,94 CZK
Debt to Total Capital	35%
Return on Equity	21%

Business Description

CEZ Group is the major producer of electricity in the Czech Republic and one of the ten biggest power utilities in Europe as well. It is primarily focused on producing, distributing and selling electricity and steam heat but it is also engaged in coal mining and sale of gas. The company's major generating assets are nuclear and lignite power plants (fixed-cost-base). It is also focused on renewable sources of electricity as wind, water and solar power plants.

The total CEZ gross generation in 2009 came to 65,3 TWh. Out of that 29,3TWh and 45% from total was contributed by lignite, 27,2 TWh or 42% from total was from nuclear. Black coal contributed by 10% and hydro and others by 3%.

A parent company CEZ, a.s. was established in 1992 and its shares are being traded for example in Prague and Warsaw stock exchange. It is a significant member of stocks indexes such as PX in Prague or Eurostoxx50 in Europe. The major shareholder is the Ministry of Finance of Czech Republic with almost 70% capital interest.

The Czech power market is liked to the German market which means that CEZ Group is a German power market's price taker. But the prices on PXE are usually at small discount to German power exchange EEX, due to costs of crossborder capacities.

The core markets of CEZ are determined by their geographical position. CEZ Group is primarily focused on generating and selling its production in the Czech Republic, then in Central Europe (Slovak Republic, Austria, Hungary and Poland) and in Germany. CEZ Group also runs several investment projects in Eastern Europe, especially in Bulgaria and Romania, and also in Turkey.

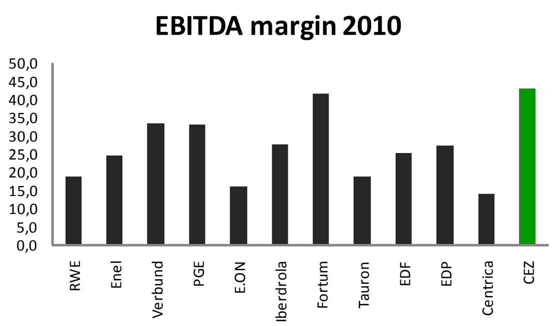
Industry Overview and Competitive Positioning

We will start our description by characterization of Czech market and then we will compare CEZ with other big european utilities. The Czech electricity generation is the most extent dependent on lignite and nuclear. In the 2009 CEZ had 49% of lignite mining, 74% of generation market, 61% of market share in distribution and 44% of supply on the Czech electricity market.

Czech power prices are liberalized and are driven by the same factors as German market, where the price is driven by coal, gas and CO_2 price. We expect the trend of consumption pursuant to the evolution of GDP in the coming years and growing can be approximately 1,5 –2,5% p.a.

The most important competitors in Europe are Enel, EdF, E.ON, Iberdrola, RWE, Fortum, EdP, PGE, Verbund and Tauron. Comparison with EBITDA margin shows CEZ Group as one of the most profitable European utilities in 2010 and 2011 as well.

EBITDA margin			
	2009	2010E	2011E
RWE	19,9	18,8	17,1
Enel	25,7	24,5	24,1
Verbund	40,3	33,3	34,0
PGE	38,4	32,9	35,4
E.ON	21,2	16,2	14,5
Iberdrola	29,6	27,5	28,1
Fortum	43,9	41,5	41,1
Tauron	19,1	18,9	19,2
EDF	23,0	25,3	25,5
EDP	28,4	27,4	27,3
Centrica	8,9	14,0	14,5
CEZ	46,0	43,0	42,0



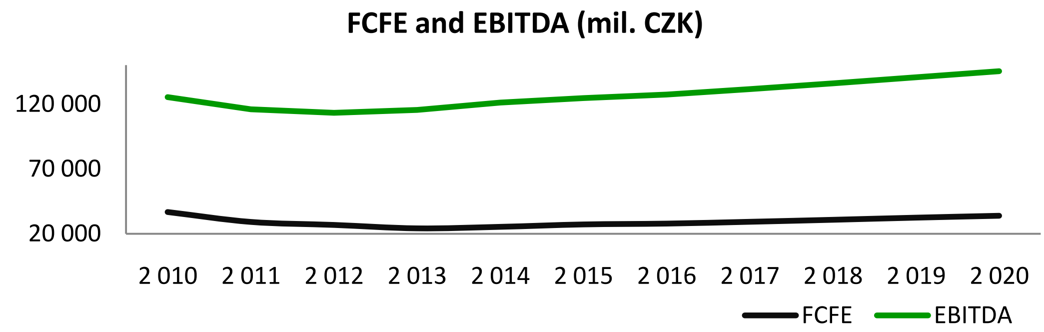
Source: Reuters, Company data, Team E research, data in national currency

Level of net financial debt of CEZ is highly below industry average, where favourable position has also RWE and E.ON. On the other hand Fortum, Enel and Verbund exceed industry average, but the level of debt would increase in case of CEZ as well due to combination of weaker cashflow generation and higher investments into construction and modernization of power plants. Overall we expect also shift of industry average because of modernization and maintain competitiveness.

We do not expect a rapid recovery in German electricity prices in the next few years resulting in weak earnings outlook for CEZ. To balance than CEZ management plans to focus on improvement of efficiency of the operating costs. The program's core lies in process improvements in CEZ Group and increase of production owing to supposed technical innovations, shortening of re-fuelling outages and limiting of unplanned shutdowns. From 2014 we predict increase in power prices again which means positive impact on CEZ sales and EBITDA as well.

Investment Summary

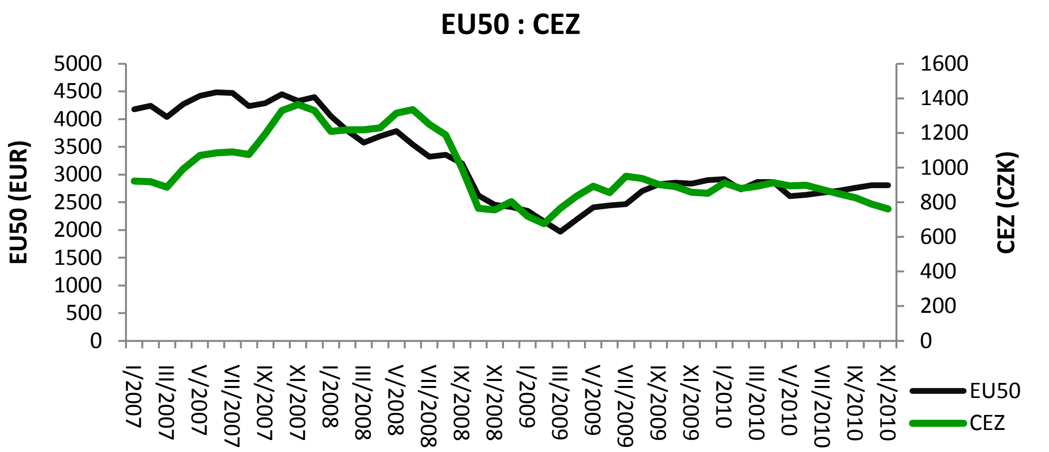
To sum up a little, CEZ is a big stable company. It generates net profit every year and pays dividend higher than industry average. They also generate stable and high free cash flow to equity. From this side of view we recoment not to sell. But because of the fact, that power prices are low and higher costs of CO_2 emissions allowances would have negative impact on profitability of the company, we do not recommend to buy.



Source: Company data, Team E research

The situation of CEZ is not that bad as it appears and as soon as the situation around emission allowances calms down and CEZ will fulfil their aim to cut down the costs they will be highly profitable again. From total point of wiev we **recommend to hold**. Wait for additional information especially how much does company manage to cut down costs and how much power prices will drop. We believe in stong company management which realizes its aims and also we predict power prices will stagnate and since 2014 rise.

CEZ policy in last years was to invest and grow. Financial crysis did not affect it much in 2008 or 2009 because of selling electricity in advance by using futures contracts. During 2010 first consequences of crysis appears and CEZ is forced to dramaticly reduce investments. We also have to mention threat of potential cut of credit rating. Because of this quite big uncertainity we recommend not to buy although the value of share by DCF is higher that current stock price, even with quite big risk premiums and do not recoment to sell, although the situation is uncertain and there are several tasks for management that needs to be done.



Source: Company data, Team E research, Eurostoxx50

Valuation

Our approach to valuation was based on DCF method. We chose this method becase CEZ generates stable and well predictable cash flow to equity. We used two-phase method with long first phase where we knew quite well all needed information. First phase lasts from 2011 to 2017. Next phase lasts from 2018.

In the first period CEZ has agreed contracts. We are able to know planned amount of investment and we do not count with the annex building of Temelin. In this phase we believe EBITDA and sales will drop to 2013 and then rise to 2017. In second phase we do count with the growth of CAPEX based on preparing Temelin project. We assume the growth in this phase wil not be much dramatic but stable between 1-2%. We took all necessary information from our planned statements based on company data and other available information.

For valuation of equity we used two different rates. 6,26 % in first phase based on the revenue of market index Eurostoxx50, CEZ shares profit and risk-free rate based on 10 years state bonds. We used 8,50 % in second phase which expresses higher risk. We also predict terminal growth rate of 1,49 % at second phase based on the growth of sales. This covers the future value of CEZ which will rise steadily.

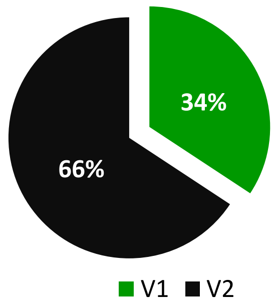
ASSUMPTIONS	1. PHASE (2011 - 2017)	2.PHASE (2018 -)
Re (CAPM)	6,26%	8,50%
Rm	6,29%	6,99%
Rf	3,64%	4%
levered β	0,99	0,99
PV (mil.CZK)	**148 795**	**285 405**

Source: Company data, Team E research

Value of equity was counted to 434 202 mil. CZK. Makret value on 20. december was 414 252 mil CZK. Price of share by DCF equity is 807 CZK and market price on 21. december was 771,5 CZK. These amounts show us that share price is undervalued. This could be consequence of latest months politicas situation in the Czech Republic. Especially about CO_2 emission allowance changed several times.

CEZ Group is a strong company which regularly pays out dividends. The amount of payed dividends will rise up in few years thanks to bigger and bigger profits. Conception of dividend policy in followed years is based on stable payout ratio. It has to be mentioned that CEZ has a strong customer base, regular income and positive relation to inovation. This company ranks with 10 most profitable utilities in Europe.

VALUATION (mil.CZK)	
PV 1. phase	148 795
PV 2. phase	285 405
Total equity value	434 201
Enterprise value	532 200
Indebtdness	32,61%
VALUE PER SHARE (CZK)	**807**



Source: Company data, Team E research

We include into CEZ valuation also market comparison method with other utilities. The table Peer comparison is on the page 10. We constructed PE and EV/EBITDA ratios, dividend yield and market capitalization, where we indicate company discount or premium.

EV/EBITDA 6,0x in 2010 means, that CEZ is traded below the sector average. In 2011 we expect higher profit margin and lower debt risk due to sector utilities, so we predict starting to trade at a premium to the market at level 6,3x. Dividend yield is higher than average of the other utilities. P/E indicates that CEZ is traded with discount, where important factor is lower growth of profit which we expect in next years.

Nevertheless 100% weight for valuation have been put on DCF beacuse of difficulties in internal affairs and specific company changes in economic activity of CEZ. In peer company comparison is necessary to take into account that companies in sector are not fully comparable. Important changes are caused especially by emission allowances. On the other hand Peer comparison table provide us information about CEZ position.

Financial Analysis

Statement of revenues

Past five years (2005 – 2009) have been very good for CEZ Group. Especially the year 2006, when group revenues rose by almost 30%. In other years, growth in sales kept below 10%. Structure of revenues in the observed period remained almost the same so energy sales sticked around 90% of total revenues. As regarding to operating costs, their development was quite variable during last five years. The best result group reached in year 2008, when operating expenses annually dropped by 1%. In other years was increase in costs and the most signifiant increase was in year 2006 (almost 25%). The largest proportion of the costs was tied up in purchasing power, depreciation, fuel and wages.

The statement of revenues most monitored indicator EBITDA, has been almost doubled and EBITDA margin in last two years significantly rose to 46,5%. EBITDA in our estimates for 2010 falls to 88 700 million CZK and in 2011 and 2012 falls due to introduction of gift tax (32%) of emission allowances. For 2013, we expect renewed growth of this indicator, despite the risk of buying emission allowances.

Compared with other electricity producers, CEZ Group's operating costs are relatively low and the group achieves a considerable margin. This is also expected for years 2010 - 2013. Although the group plans rebuilding the outdated lignite power plants to gas (higher fuel cost), according to our projections, by 2013 there will be only a few gas power plants so it will not significantly contribute to operating expenses.

Balance Sheet

CEZ Group has a very strong balance sheet and it is confirming that past five years have been for the group very good. Its balance sheet rose by 64%.

Non-current assets rose by 48% which was caused by huge investments. Plant in service rose to the 509 618 mil. CZK and construction work in progress was 80 125 mil. CZK (2009). In the field of current assets were the most important net receivables. If we compare years 2005 and 2009, there was increase 190%. Non-current assets to current assets were last five years in average 80 to 20 percent, what corresponds to the industry. For years 2010-2013 we are expecting steady growth of current and non-current assets with the same percentage proportion of them (80:20).

Total equity development was in past five years quite floating. It was caused by variable retained earnings, treasury shares buying (to improve capital structure) and downturning non-controlling interests. Total equity was in average 195 mld. CZK (2005-2009) and if we compare year 2005 and 2009 there is only 8% growth.
On the other hand there was a signifiant increase in total liabilities (143%) to cover investments. Highest increases were in long-term debt and trade payables. Indebtedness grew steadilly from 12% (2005) to 30% (2009) and we are following up this trend in our estimates untill 2012 to the value 35,5% and for year 2013 slight downturn.

Statement of Cash Flows

Cash generated from operations was positive (steadilly increasing) and except the year 2009 was enough to cover investing activities. This has been covered by cash provided by financing activities. In past five years there was positive net increase in cash and cash equivaletnts except 2007 (-18 503 mil. CZK) caused by very high cash used in financing activities (treasury shares buying).

Emission allowances and dividend policy

The key aspect of next days is the situation around CO_2 emissions allowances (EA) and decrease of dividends in the next few years. So we decided to describe here the current situation in these two areas.

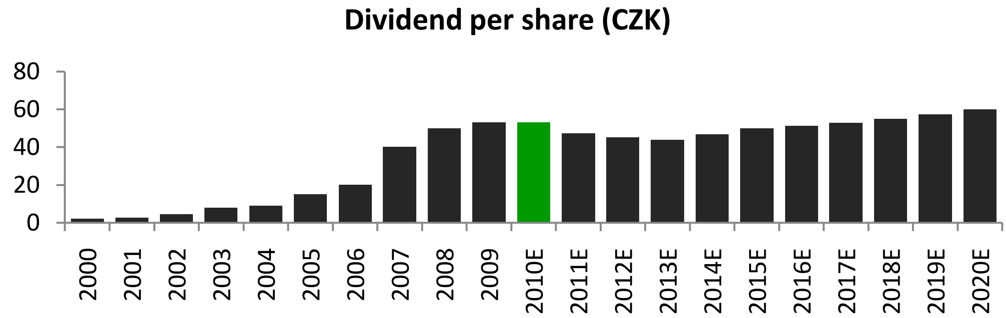
EA will raise the level of costs but no one can tell exactly how much. It is a big change to last years. We counted with the situation that CEZ will pay a gift tax (32%) in 2011 and 2012 and then the percentage of free EA will drop and in 2020 it will be zero. But there may be a different scenario. At first CEZ may pay gift tax from free assigned EA all the years 2013-2020. Also it is believed that Czech government can negotiate an exception and so CEZ will still have at least some free EA.

According to ETS western European electricity producers will pay 100% of emission allowances starting in 2013. Therefore some of them, especially heavy polluters, are trying to buy it cheaply now. CEZ and some other from central Europe must focus on properly timed bargain in the future. We expected increase in demand and prices of emission allowances. Vital influence on issues about emission allowances has Czech political scene.

We have counted with officially approved scenario which together with low electricity prices causes unpleasant drop in EBITDA and dividends. On the other hand this problem does not touch only CEZ and with cut costs and higher electricity prices CEZ would deal with EA costs quite well.

EA means unexpected rise in costs and it is very difficult to predict precise price. We counted with the rise of prices from 15EUR in 2011 to 18EUR in 2015 and 19EUR in 2016-2020. But it is sure that this increases the importance of annex building of Temelin which actually will probably be delayed.

Dividend policy of CEZ is to pay out 50-60% of the consolidated profit. We count with 55% payout ratio in all years. The absolute level of paid dividend will drop but as the chart shows the minimum DPS, in 2013, would be higher than in 2007. In case of remaining stable dividend payout ratio absolute level of paid dividend will at first drop and then rise, as it is shown by chart. This policy is reasonable because of allowances costs and current low electricity prices. We also have to mention that in 2012-2013 CEZ would probably be able to have 60% payout ratio instead of counted 55%. On the other hand because of the possible rating fall CEZ will have to watch attentively its indebtness.



Source: Company data, Team E research

Investment Risks

Not only the possible rating fall signifies problem. There are a few investment risks specific to the company that can not be forgotten.

First of all we have to mention political risk, because as a big company it is influenced very much by political decisions which are not definitely known in advance. On the other hand Czech government creates quite positive environment to this company and needs to protect its profit. This risk has also big impact on the future of emission allowances which are described in special chapter.

One of the main article that determine CEZ´s profitability is the price of electricity. We expect stagnating trend of electricity prices or slight increase in line for German prices. Electricity prices will become more essential and no doubt more monitored by investors. We also have to mention the risk represented by the internal policy of cutting down costs. It is necessary to cut them down but we cannot really be certain about the fact that CEZ will be able to manage that and fulfil their goal. We see the risk also in volatility of exchange rate CZK/EUR.

We also must mention again the thread of drop in rating. In the next few years CEZ will raise the level of their debt and will bring the level closer to the rating requirement. The possible drop in rating would have very bad impact on planned annex building of Temelin. We believe CEZ knows its risks and tries to protect in every possible way. On the other hand there still will be quite big unprotected area.

Figure 1: Income Statement (in millions CZK)

	2 009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
REVENUES	**196 352**	**206 855**	**208 173**	**207 397**	**217 179**	**232 436**	**243 196**	**253 742**	**264 466**	**275 644**
Sales of electricity	173 494	188 050	189 248	188 543	197 453	211 305	221 088	230 674	240 423	250 585
Heat sales and other revenues	22 858	18 805	18 925	18 854	19 744	21 131	22 109	23 067	24 042	25 059
Operating costs	128153	118 155	116 577	116 142	121 620	130 164	136 190	142 095	148 101	154 361
Gift tax			4 570	4 637						
Allowances					4 004	6 345	9 450	11 970	13 965	15 960
OPERATING COSTS AFTER ALLOWANCES	**128153**	**118 155**	**121 146**	**120 779**	**125 624**	**136 509**	**145 640**	**154 065**	**162 066**	**170 321**
Amortization	22 876	22 634	22 860	23 089	23 320	23 553	23 788	23 500	23 500	23 500
EBITDA	**97075**	**88 700**	**87 026**	**86 618**	**91 555**	**95 927**	**97 556**	**99 676**	**102 400**	**105 323**
EBIT	68 199	66 066	64 166	63 529	68 235	72 374	73 768	76 176	78 900	81 823
Interests	3 303	7 841	9 526	10 594	11 704	11 696	11 644	10 916	10 190	9 393
EBT	64 946	58 226	54 640	52 935	56 531	60 678	62 124	65 260	68 710	72 431
Income tax	13091	11 063	10 382	10 058	10 741	11 529	11 803	12 399	13 055	13 762
EAT	**51 855**	**47 163**	**44 259**	**42 877**	**45 790**	**49 149**	**50 320**	**52 861**	**55 655**	**58 669**
Dividends	26 899	28 520	25 940	24 342	23 583	25 184	27 032	27 676	29 073	30 610
EAR	24 956	18 642	18 319	18 535	22 207	23 965	23 288	25 185	26 582	28 059

Source: Company data, Team E estimates

Figure 2: Balance Sheet (in millions CZK)

	2 009	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
ASSETS	**530 259**	**584 179**	**621 702**	**659 626**	**687 773**	**720 886**	**736 796**	**754 489**	**772 286**	**805 351**
NON-CURRENT ASSETS	**414 955**	**462 707**	**499 457**	**537 836**	**560 239**	**584 392**	**593 984**	**605 484**	**616 984**	**643 484**
Plant in service	509 618	577 369	636 979	698 447	744 170	791 876	825 256	860 256	895 256	945 256
Less accumulated provision for depreciation	266 377	-289 011	-311 871	-334 960	-358 280	-381 833	-405 621	-429 121	-452 621	-476 121
Net plant in service	243 241	288 358	325 108	363 487	385 890	410 043	419 635	431 135	442 635	469 135
Nuclear fuel, at amortized cost	5 439	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000	6 000
Construction work in progress	80 125	80 125	80 125	80 125	80 125	80 125	80 125	80 125	80 125	80 125
Investment in associates and jointventures	17 250	17 400	17 400	17 400	17 400	17 400	17 400	17 400	17 400	17 400
Investments and other financial assets	49 423	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000	50 000
Intangible assets, net	18 653	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000	20 000
Deferred tax assets	824	824	824	824	824	824	824	824	824	824
CURRENT ASSETS	**115 304**	**121 472**	**122 246**	**121 790**	**127 534**	**136 494**	**142 812**	**149 005**	**155 302**	**161 867**
Cash and cash equivalents	26 727	38 537	43 258	42 333	47 884	56 429	61 815	67 083	72 449	78 063
Receivables, net	47 347	41000	37000	37500	38000	38500	39000	39500	40000	40500
Materials and supplies, net	4 959	5 224	5 258	5 238	5 485	5 870	6 142	6 408	6 679	6 962
Fossil fuel stocks	2 944	3 101	3 121	3 110	3 256	3 485	3 646	3 804	3 965	4 133
Emission rights	1 212	1 400	1 400	1 400	700	0	0	0	0	0
Other financial assets	29 706	29800	29800	29800	29800	29800	29800	29800	29800	29800
Other current assets	2 409	2 409	2 409	2 409	2 409	2 409	2 409	2 409	2 409	2 409
EQUITY AND LIABILITIES	**530 259**	**584 179**	**621 702**	**659 626**	**687 773**	**720 886**	**736 796**	**754 489**	**772 286**	**805 351**
TOTAL EQUITY	**206 675**	**219 861**	**235 146**	**251 381**	**273 162**	**297 127**	**320 415**	**345 599**	**372 181**	**400 240**
Equity attributable to equity holders of the parent	**200 361**	**214 361**	**229 646**	**245 881**	**267 662**	**291 627**	**314 915**	**340 099**	**366 681**	**394 740**
Stated capital	53 799	53 799	53 799	53 799	53 799	53 799	53 799	53 799	53 799	53 799
Treasury shares	-5 151	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600	-4 600
Retained earnings and other reserves	151 713	165 162	180 447	196 682	218 463	242 428	265 716	290 900	317 482	345 541
Non controlling interests	**6 314**	**5 500**	**5 500**	**5 500**	**5 500**	**5 500**	**5 500**	**5 500**	**5 500**	**5 500**
TOTAL LIABILITIES	**323 584**	**364 317**	**386 557**	**408 245**	**414 611**	**423 759**	**416 382**	**408 890**	**400 105**	**405 111**
LONG-TERM LIABILITIES	**177 181**	**211 238**	**232 598**	**254 805**	**254 641**	**253 605**	**239 044**	**224 513**	**208 570**	**206 114**
Long-term debt, net of current portion	118 921	152 630	173 990	196 197	196 033	194 997	180 436	165 905	149 962	147 506
Accumulated provision for nuclear decommissioning and fuel storage	37 152	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500	37 500
Other long-term liabilities	21 108	21 108	21 108	21 108	21 108	21 108	21 108	21 108	21 108	21 108
DEFERRED TAX LIABILITY	**15 335**	**15 000**	**15 000**	**15 000**	**15 000**	**15 000**	**15 000**	**15 000**	**15 000**	**15 000**
CURRENT LIABILITIES	**131 068**	**138 079**	**138 959**	**138 441**	**144 970**	**155 155**	**162 337**	**169 376**	**176 535**	**183 997**
Short term loans and current portion of long-term debt	37 889	37 889	37 889	37 889	37 889	37 889	37 889	37 889	37 889	37 889
Trade and other payables	78 212	87 670	88 550	88 032	94 561	107 250	116 436	125 077	133 518	142 005
Accurated liabilities	14 967	12 520	12 520	12 520	12 520	10 016	8 013	6 410	5 128	4 103

Source: Company data, Team E estimates

Figure 3: Statement of Cash Flows (in millions CZK)

	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E
EAT	47 163	44 259	42 877	45 790	49 149	50 320	52 861	55 655	58 669
Amortization	22 634	22 860	23 089	23 320	23 553	23 788	23 500	23 500	23 500
CASH GENERATED FROM OPERATIONS	**69 797**	**67 119**	**65 966**	**69 109**	**72 702**	**74 109**	**76 361**	**79 155**	**82 169**
CAPEX	67 751	59 610	61 468	45 723	47 706	33 380	35 000	35 000	50 000
Δ Current assets	6 168	774	-456	5 744	8 960	6 319	6 193	6 297	6 564
Δ Current liabilities	7 011	880	-518	6 529	10 185	7 183	7 039	7 158	7 462
Δ Working capital	**-843**	**-105**	**62**	**-785**	**-1 225**	**-863**	**-847**	**-860**	**-897**
Financial investments	8 078	3 035	2 300	426	0	0	0	0	0
CASH USED IN INVESTING ACTIVITIES	**74 986**	**62 539**	**63 830**	**45 363**	**46 481**	**32 516**	**34 153**	**34 139**	**49 103**
Dividends	28 520	25 940	24 342	23 583	25 184	27 032	27 676	29 073	30 610
Part payment of debts	5 797	5 797	5 797	5 797	5 797	5 797	5 797	5 797	5 797
CASH USED IN FINANCING ACTIVITIES	**34 317**	**31 736,51**	**30 139**	**29 379**	**30 981**	**32 829**	**33 473**	**34 870**	**36 407**
DIFFERENCE OF CASH FLOW	**-39 506**	**-27 156**	**-28 003**	**-5633**	**-4 760**	**8763**	**8 734**	**10145**	**-3 341**
Net debts	39 506	27 157	28 003	5 634	4 760	-8 763	-8 734	-10 146	3 341
Condition of debts	190 519	211 879	234 086	233 922	232 886	218 325	203 794	187 851	185 395

Source: Company data, Team E estimates

Figure: Peer comparison

	Market Cap mil.*	Dividend yield %	Share price*	EBITDA mil.*		EV/EBITDA			P/E		
				2010E	2011E	2009	2010E	2011E	2009	2010E	2011E
RWE	27827	6,60	49,18	9882	9217	5,6	4,4	4,8	10,2	7,2	8,7
Enel	35639	12,96	3,75	16783	16919	6,8	6,2	6,2	7,1	8,2	8,2
Verbund	8834	3,53	27,23	1039	1129	9,7	13,2	12,1	14,2	18,5	15,8
PGE	43753		23,40	7005	8028	5,8	6,3	5,5	11,0	13,9	11,6
E.ON	45283	5,15	22,70	13271	11987	5,2	6,0	6,6	6,6	8,5	10,4
Iberdrola	31889	4,90	5,89	7361	7777	8,3	10,6	10,0	11,9	11,4	11,2
Fortum	19615	5,27	22,25	2480	2520	9,7	10,7	10,6	12,8	13,6	13,9
Tauron	11987		6,89	2734	2958		5,3	4,9		13,2	11,1
EDF	58831	2,86	31,86	17729	17740	8	6,0	6,0	19,4	15,8	15,5
EDP	9150	4,50	2,60	3565	3700	8	7,9	7,6	11,1	9,0	9,3
Centrica	17281	4,41	337	3040	3233	8,9	6,5	6,1	26,2	13,3	12,3
Average		5,6				7,6	7,6	7,3	13,1	12,1	11,6
Median						8	6,3	6,2	11,1	13,2	11,2
CEZ	**415059**	**6,48**	**771,5**	**88700**	**87026**	**6,0**	**6,0**	**6,3**	**8,9**	**9,7**	**9,5**
CEZ	**premium/discount (%)**					**-25**	**-4,8**	**1,6**	**-19,8**	**-26,5**	**-15,2**

*Source: Reuters,Company data, Team E estimates, *in national currency*

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