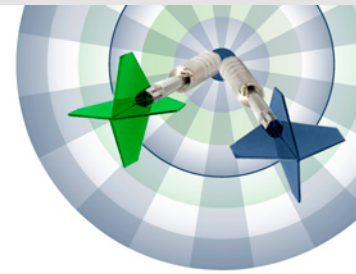


Milking the ČEZ beast

ČEZ is expected to announce record 2009 net profit tomorrow, but Jan Ondřich of Candole Partners says in an enlightening (and expensive) new [research report](#) that ČEZ's future profitability is at risk. Protracted, costly extensions or renewals of domestic energy sources may burden its free cash flow, Ondřich said, parts of which are tied up in underperforming foreign acquisitions. ČEZ is making most of its profit at home, but its domestic production fleet is languishing. As if this weren't enough, word is that ČEZ is now coming under pressure from Supervisory Board Chair Martin Kocourek of ODS to invest heavily into solar power. The idea is to pay Kč 80m per MW of solar capacity, giving an instant profit of Kč 20-30m per MW to well-connected politician-investors. More money for solar means less money for nuclear and coal, and for the related interest groups. ČEZ is a cash cow for many people. For the first time, there's a real risk that overmilking will lead to a perceptible medium-term decline in the beast's net output.



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