



27.5. 2019

## **CEZ company updated dividend policy**

Board of Directors of ČEZ, a.s. decided today on an update of dividend policy. The change lies in the increase of payout ratio to 80 - 100% from consolidated net income adjusted for extraordinary effects. The main reason for the change is an update of CEZ Group strategy, which does not assume significant acquisitions and investments in renewables abroad.

# DIVIDEND POLICY OF CEZ GROUP HAS BEEN MODIFIED FOLLOWING SPECIFICATION OF NEW STRATEGY



- **Previous dividend policy since 2017**
  - Broadened payout ratio of **60 – 100 % of consolidated net income adjusted** for extraordinary effects that are generally unrelated to ordinary financial performance in a given year
  - Published in March 2017 as **temporary widening for 2 years until specification of development strategy**
- **Updated dividend policy of CEZ from May 27, 2019**
  - Pay out ratio of **80 – 100 % of consolidated net income adjusted** for extraordinary effects that are generally unrelated to ordinary financial performance in a given year

## **Justification of change of payout ratio to 80 – 100 % (from previous 60 – 100 %):**

- Higher share of generated operating cash flow to net income
- Specification of new strategy of CEZ Group and submission of proposal for updated business policy to general meeting, which will take place on June 26, 2019
- Updated strategy does not assume significant acquisitions and investments in renewables abroad

# SUMMARY OF MAIN PARAMETERS OF PREVIOUS AND UPDATED STRATEGY OF CEZ GROUP



## Previous strategy (2012-2018)

### Geographic focus

- Focus on the Czech Republic and markets in Central and Western Europe near the Czech Republic with stable regulatory environment, primarily Germany, France and Poland

### Developed segments

- New (decentralized) energy, i.e. energy services and renewables (ESCO, RES) in the Czech Republic and abroad

### Realized acquisitions

- Energy services (ESCO) in Germany, Poland and Romania
- Renewables (RES) in Germany and France

## Updated strategy (2019 +)

- Stronger focus on domestic market
- Regional offer in energy services segment (ESCO) (mainly Germany)
- Exit from segments and markets with unattractive prospects

- Electricity, gas and services with value added in domestic market
- Renewables and traditional energy in domestic market
- Decentralized energy in the whole region

- Planned further acquisition in ESCO segment both in the Czech Republic and abroad

# UPDATED STRATEGY OF CEZ GROUP REACTS TO THE DEVELOPMENT OF BUSINESS ENVIRONMENT



## Areas of main opportunities for CEZ Group

Strengthening of energy security of the Czech Republic

Modernization of Czech energy sector

Fulfilling climate and energy plan of the Czech Republic

Close links of the Czech industry with neighboring countries



## Strategic priorities of CEZ Group

Efficient operation, optimal utilization and development of generation portfolio

Modern distribution and a care for customers' energy needs

Development of new energy in the Czech Republic

Development of energy services in Europe

# STRATEGIC PRIORITIES OF THE UPDATED CEZ GROUP STRATEGY



## Strategic priorities of CEZ Group

Efficient operation, optimal utilization and development of generation portfolio

Modern distribution and a care for customers' energy needs

Development of new energy in the Czech Republic

Development of energy services in Europe

## Main strategic thesis of CEZ Group

- Efficient management of nuclear plants and coal plants located near the coal basins and preparation of conditions for realization of new nuclear plant as part of strengthening energy security and decarbonization of generation portfolio in the Czech Republic
  - Modernization and digitalization of distribution and sales in the Czech Republic, development of complex services taking into account customer needs
  - Development of energy services (ESCO) and renewables (RES) in the Czech Republic in fulfilling Czech climate and energy plan
  - Development of foreign ESCO activities and achieving significant position in markets close to the Czech Republic, primarily Germany, northern Italy and Poland
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- Realization of efficient exit strategies from markets and energy segments, which are risky or do not have attractive prospects
  - Finalization of RES development abroad and securing recovery of invested funds